THE SCIENCE OF VALUE

OUR CITY CIVILIZATION

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WILLIAMS & WILKINS COMPANY

1913

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OUR CITY CIVILIZATION

CHAPTER I

THE UNIVERSAL MUDDLE

When the families of Noah came upon a plain, in the land of Shinar, and began building a city, they thought to build a tower to reach unto heaven and the Lord scattered them abroad by confounding their language, so they could not understand one another's speech.

Even since the time man first began building cities and a few of the people became ambitious to acquire wealth "to tower unto heaven" they were suddenly confounded by a muddle in their speech, which we call the labor question, and which gives rise to a dispute concerning the increase in wealth that fails to minister to the happiness of all the people.

When nations are composed of builders and are intent on working out their destiny a few of the people soon become the owners of the wealth leaving the multitude of workers destitute at the very time when their contentment should have been insured by the accumulation of wealth.

In the modern world the same law of achieving success during the building period is again demonstrated, on a scale of increasing splendor, and millions have been lifted to a higher social scale than was ever before experienced in the history of the world.

But the modern world is facing the same problems by which older civilizations have been destroyed, the same failure of accumulated wealth to minister to the happiness of the people. The misery experienced by the class we call unfortunate and unfit may become the general condition of the entire laboring population.

The development of the arts and sciences has multiplied the appetites and desires of the multitude as rapidly as new means of satisfying them brought new varieties in supplies to our wonderful markets, but this increase in production and trade has not lessened the care and anxiety of the tens of millions who fail to share in the accumulation of wealth.

If this world old problem still continues to distress mankind, and no change has been made by science in its solution what is the reader to expect from a new writing on a subject that is two thousand years old, and which the greatest men in the world have labored in vain to solve?

This greatest of world problems must some day be solved and science that is solving all other problems of industry must at last solve the problem upon which industry itself depends. The more difficult the undertaking the more inspiring is the field of endeavor to a lover of science.

Nothing new or important is to be expected from a writer who follows the old paths of investigation, the paths worn into gullies and ruts before the systems of modern science were discovered, but a new discovery in science may open new fields never before investigated, and propose new solutions differing radically from any now being offered in thousands of thick books on the subject.

Every theory of labor and finance so far proposed in every work on the subject has, without exception, been built on a false premise, a premise that accepted the effect for the cause and failed to discover the relation between cause and effect.

The muddle over any question must increase as the theories built upon a false premise multiply. The correct statement of the labor question is not possible until the truth at the foundation has been laid bare and until a correct premise has been established.

The false premise every writer on the subject accepted was that, Labor is the Cause of Value; while the true premise is exactly the reverse of this and is self evident, namely, Value is the Cause of Labor.

Having a new and correct premise with which to work out new solutions for world old problems the reader is offered a work having an original truth at the foundation; a work holding a promise, at least, of arriving at correct conclusions.

The mistake in treating labor as the cause of value, confines value to the activity of present labor, and neglects to take past labor, with the enormous quantity of credit money it supplies, into consideration, thus the theory of labor as a cause fails to account for most of the wealth with which it deals.

The wealth we inherit from the past represents an enormous saving in money, that present labor should have without work, and is designed to relieve labor from saving money and being denied the comforts of our civilization.

The money saved for us by the labor of the past can only be conveyed to us by prices of labor products selling above cost, the cost price representing the cash paid to living labor by production and the price above cost coming from the credit added by past labor and depending upon distribution to get into circulation.

The failure in present theories to solve the problems that distress us came from the failure to understand the part the labor of the past plays by the introduction of credit money.

The discussion of money has usually been confined to the cash buying goods, and the fact that cash must exchange, on even terms, with a five-fold greater quantity of credit is a fact that has not received the consideration it deserves.

Living labor should not only receive the money value of the present product but it should receive money from past labor as a gift, and this money can only be distributed to them after it has increased the price of their product above its cost.

Living labor failing to receive the credit money coming from past labor as gift, by an increase in wages, is compelled to earn this money the second time as it buys unearned wealth for the classes who are concentrating wealth.

The owners of wealth have a power of inflating the currency with bank checks which laborers are compelled to redeem in cash, and when labor fails to receive its proportion of bank checks as a gift in wages, it is compelled to earn this past labor money the second time in paying high prices for the goods it consumes.

Two independent volumes of money are required in the general circulation, a volume of cash distributing the value of living labor and a five time greater quantity of bank checks distributing the value of past labor.

The accumulated wealth of the country ought to have the same kind of a cash market among laborers as has the commodities, and the failure of labor in buying wealth arises from its not sharing in the money supplied by such wealth.

Buyers without money are legion, and it would be easy to create an army of buyers, and an insatiable demand for labor products if moderate sums of money were being distributed to millions of laborers supplied as gift money from the bank check circulation.

There is a natural process, which is expected to bring about the distribution of bank checks among millions of laborers and give them an increase in wages from this source as a gift, to buy the share of labor in the wealth accumulated from the past.

The circulation of money must include both cash and credit and is a double process. The two volumes must unite into one to make the selling price above cost, and after goods are sold they must be separated by taking profits from prices in the form of an inflated credit currency.

The claim of capital upon labor is based upon capital supplying property from past labor which is now being used and need not be produced, and saves all the time of its production and all the money represented by its cost.

Capital may issue this past labor money by obtaining a credit from a bank, which credit is based upon the value of its property, and when it pays this money for labor and material it must be made equal in value to the money buying goods.

If capital, for example, puts two dollars of bank checks in circulation as a part of every four dollars paid in wages, labor may use one of these bank dollars in buying goods at prices above cost, and thus make them circulate equal to cash, and have the other as a bonus with which it buys its share of past labor property.

The power of capital in issuing money, and the power it has over labor comes from its ownership of railways, factories, buildings, and machinery of every description, that present labor uses in the production of goods but need not produce.

There is no escape from this dependence upon the wealth we inherit from the past, and to assume we may now escape this power of capital by building competing structures, is to assume we have all the years of the past at our command, to build other farms, factories, towns, cities, and railways on new locations, and without using the wealth we now possess.

We may compete a little at a time, as we sometimes do, only to find the cost prohibitive, for it is idle to expect labor to build new and costly structures in opposition to, and in useless competition with the ones we have without cost as an inheritance.

Competition with past labor is not desirable if it were possible, on account of the waste, but we want the money from past labor to compete for the services of labor in raising wages without increasing the amount of work called for.

The foolish legislation that would force labor to compete with capital is like the action of the country school trustees, who determined to build a new school house, and resolved as follows:

1. To build a new building to replace the old one no longer suitable to the demands upon it.

2. To use the foundation of the old building for the new one.

3. To use the material taken from the old house as far as it would go in building the new one.

4. To continue school in the old building until the new one was built and ready to receive the pupils.

We cannot compete, simply because we have other land, as the new locations are not suitable, and if we must compete, we will be forced, like the country school trustees to use the old foundations for the new building, to use the material the present capital supplies in the new, and to use the present structures until the new are ready to receive the entire population of laborers.

Our only hope to regulate the inequality growing out of rising prices of goods, is to have a similar rise in wages, and to regulate the inequality of wealth by a sytem of taxation that begins to operate upon prices, as soon as they begin to pay profits above the general standard rate.

Capital has a claim upon labor because it furnishes the wealth labor may use without having to produce, as when, for example, a house is furnished a laborer and his family, or he will be without a house until he builds one himself.

But a dwelling supplied to a laborer is not expected to be charged up to him as though he had to build it, because in such case he would get no benefit from civilization, and would be expected to begin at the bottom, getting no advantage from the past, except an ability to do more work.

Laborers are expected to get houses, factories, store buildings and railways as accumulated wealth, and get them without cost, the dwelling for a laborer is expected to be his without cost by its circulating an inflation of money that will increase his wages so as to cover the rent he is expected to pay.

In putting an inflation of credit money in general circulation, labor and capital are expected to split even, labor getting two dollars from the inflation, one of which it redeems for the benefit of capital in buying goods at twice the cost, and the other it keeps as its share in the money past labor contributes.

Credit money cannot get into circulation unless it does so by inflating the prices of goods to twice their cost, allowing the owner of wealth to get one dollar for himself out of every two dollars of credit paid to labor and spent for goods.

But this inflation in money gets into the hands of the merchant and the manufacturer before it can be used to increase wages, and it may be turned aside before it will add a gain in wages equal to the rise in price of goods above cost.

This inflation in the price of goods must be communicated to the price of capital, and to the entire accumulation of wealth, and create a new circulation of money outside the goods market before the required increase in wages may be obtained.

When capital fails to sell at twice its cost, the volume of credit in active circulation will contract, and will destroy the equal division between capital and labor, by taking from circulation the credit money from which the increase in wages above the cost of living must be secured.

To get a picture in the mind of the relation the production of goods sustains to the total wealth, an illustration is required of the wonderful system of coöperation which the circulation of money has introduced, without the help of mankind, or help from legislation.

Suppose the entire industry of the country in inclosed between the walls of a factory, extending across the entire land, and including its farms, its towns and cities, its telephones, telegraphs and railroads.

In this factory inclosing all the industry of the country more than thirty million men, women and children are employed, and the people are massed in cities or widely scattered in the country yet the circulation of money binds them as closely as a telephone circuit may exchange the intelligence of every community.

The tasks of all the milllions of workers are those that machines now impose upon labor because every kind of work is connected with some other kind by machinery, and each worker may be looked upon as operating a keyboard, setting machinery in motion.

These keyboards are more or less complicated, according to the skill and experience, or strength demanded from the operator.

The item of human labor, is but a small fraction of the power put forth by the machines, but as great as may be the machine power, or as simple as may be its operation, no other than human intelligence can do the work.

Children, for example, may be seen walking back and forth, pulling out a stop at one place, and pushing in a stop at another place, and a stream of goods coming from a powerful machine will depend upon the care and intelligence of a child.

Other machines increase the movements of their keyboards, and increase the demand for skill and experience from the operator; some are as difficult as playing the piano, others are like winding a spring, or changing the records of a phonograph.

At one place the work will consist in grasping the handles and guiding a riding plow, and at another the handles of a seeding machine. One man will sit at the throttles of engines, and others will pound at their tasks with heavy sledges, many will be engaged in writing, which is done with a stylus on a metal plate, and we call it printing. Each machine in the great factory that includes the entire country is connected with another by a system of wires conveying the power generated by each machine to every other one, and this system of wires is again connected with a greater system leading from the walls of the factory, from where the greater supply of power is obtained.

The walls of the factory are great dynamos of power, that become storage batteries when connected with the machines, and while supplying power they will also, store all surplus for future use.

The primary system of wires connecting each machine to every other one represents the lines through which cash circulates and depend upon the direct connection between the operator and the machine, and this power is directly proportioned to the human labor required in the plant.

In this complicated system of industry there are unlimited causes for interferences, on account of the thousands of different machines in operation, on account of the difference in skill and experience demanded from laborers, and more particularly from the wires connecting the industry of the plant with the circulation of cash.

But for the fact that there are millions of connections between the machines, and the secondary connections leading from the walls of the factory, a single failure in the connection between two or more machines might put all of them out of commission.

The frequent connections between the machines and the wire leading from the walls of the factory, allows the individual machines that fail to work to be cut out, and not interfere with the system of industry because new circuits may be formed with the wires leading from the walls.

The walls of the factory are intended to represent the accumulation of wealth derived from the past, and the lines of wire leading from the walls to every machine are intended to represent the lines of credit extending from banks to every industry in the land.

Without these lines of credit depending upon the accumulation of wealth, our complicated system of production and distribution could not be carried on. The walls of wealth are the stores of past energy the living generation is expected to draw upon to increase the capacity of its labor.

The walls of this factory are the cities of the country which become dynamos of power, and storage reservoirs only because they have become cities, where the magnetic field is created from the density of population.

Wealth has grown great because it has accumulated in cities, where past labor could accumulate and be saved in such forms as to best contribute to the welfare of succeeding generations.

Our civilization grows great because it is a city built civilization, and the civilization of the world has ever been a city building development, a progress depending upon the wealth accumulating in cities.

Chapter II

THE CITY

In traveling over the Manhattan Terminal of the Pennsylvania Railway into New York City, you are spared the long ride through the poverty stricken suburbs of a great city, spared the dirt and squalor, the pens for habitations and the views of back yards where human and animal life are hard to separate and distinguish.

Speeding across the Hackensack Meadows in New Jersey, you will see the low line of Bergen Hills ahead of the approaching train, cutting out the view of river and city, and a slight curve in the road gives a view of the mouth of a tunnel just before your train plunges into it and speeds away under the bed of the river.

The cars change instantly from brilliant daylight into almost equal electric light and in less than five minutes you seem to awaken in a station of marvelous architecture from a dream of Arabian Nights, and to be entering a city of wonderful enchantment.

The great work of creating this marvelous railway terminal disappears in the wonder of it, and human workmen fail utterly as an explanation of the changes that have taken place in your imagination, during the rapid transit from the meadows in New Jersey to the center of the great city.

In the city the people seem as plentiful as flies, and to move about their business as flies move, each intent upon its own concerns, and no one taking thought about strangers who suddenly, and so mysteriously, are injected into the heart of their city.

You feel the amazing difference between the country and the city, the wonderful achievement of the city, and you recognize that some mighty hand has guided these human flies in building for the future while they were crawling about seeking their present satisfaction.

This transformation in the twinkling of an eye from the almost deserted country into the heart of the greatest of cities becomes, in reality, more amazing than the fairy tales of our childhood, and you are impressed with an idea of some mighty City God that must inhabit here, as fairies inhabited the glens in the deep woods that our childhood never could discover, but we knew must be there, or the beautiful woods, which had no other reason for existence, must disappear.

Here a Spirit must have worked in constructing this bewildering array of towering and beautiful buildings, a Spirit like a fairy unconscious of the money grubbing meanness of the times, which seems to have called men and women into a hateful industrial existence.

As fabled mountains were thrown together in the sport of the great Titan Gods, so also must we imagine this great construction was the sport of Gods making a game of the work of man.

Great bridges span rivers a mile wide as if they were carelessly thrown there by super-human power for some great future purpose, which is alien to the crawling mass of people who seem unconscious of the City Spirit as they go about their daily tasks. It seems as though a hand from the future reaches into the present to fashion this future into our cities and to demonstrate the super-human power of control over the weak selfishness of human beings.

The poet of the modern world will win immortality by singing the praises of the city, because in the city the poet will discover the abode of gods and will sing the praises of a City Temple where the love of mankind was born and this love has the city for its monument.

The poet of the future will sing of the city as the parent of culture, of knowledge, of ambition, of pride, of the gentle graces of humanity and of that liberty which respects the rights of others.

The growth of cities has provided mankind with the wealth upon which culture depends, and without which human beings must have remained savage; and from the city the influence of riches spreads across all the territory from which a city draws support.

When the loneliness and isolation of country life was forced to slowly give way to the beneficent association of life developed by the city, then a brutal and savage egotism was forced to submit to the advance of justice and humanity.

Sparsely settled districts can not avoid recurring famine; they are weak and poor because separate families depend upon a few products closely connected with the soil that feebly supports the life of the growing population, and threatens to exterminate life when growing seasons are unfavorable.

When tribes of families cease wandering about in search of pasture for their flocks and herds, and find fixed locations and cultivate the soil, then culture makes its faint beginning from closer association and develops that tribal consciousness of others which opposes savage egoism, and which compels the savage to consider what the tribe may praise or condemn.

Cities arise because a surplus will develop from the earliest and most simple cultivation of the soil, and trade makes its appearance among people who are separated and whose surplus products differ from each other.

Tasks, which were far too great for the joint action of laborers in thinly settled districts are simple in the development of a city; they become easy when each may take upon himself such small portion of a great undertaking as he is most competent to perform.

In the development of cities the human race passed the period of its animal struggle for existence when men ruled as wild beasts who would allow no other upon their hunting territory. In cities the period is passed when the safety of one class may be insured by the injury of another, or by measures which retard the prosperity of other classes.

Cities enforce lessons of common brotherhood and generate that spirit of fraternity by which laborers engage in common to subdue the earth and to replenish it.

Cities are centers of social gravity that attract humanity because the human being may grow in culture, in pride, in ambition and in self respect.

Cities develop new occupations from which knowledge springs, and upon which progress and civilization depends, noble ambitions are inspired by difficult attainments, attractive pursuits arise for the most efficient among men, and create enthusiasm in work by the coöperation it introduces.

The increase of individual knowledge and happiness upon which civilized life depends can only be brought into existence when the separate and lonely life of the country changes into the associate life of a city, where a man acquires happiness as he needs mutual help, and where close association teaches him to respect the knowledge and ability of others.

The union and coöperation of a people in a city is based upon the delight obtained from spending money, a delight the city multiplies, which becomes a common force uniting all the inhabitants by the necessity of each to acquire the spending money upon which a life of enjoyment and of achievement depends.

Money commands every material pleasure the modern world spreads before humanity in its tempting markets, and as the desires of men multiply they acquire new appetities and obtain a new knowledge of life, and the pursuit of knowledge and happiness is made a pursuit of money by the dominating influence of the city.

The delight in spending money is the central power that moves each man, woman and child in the complex life of the whole people, and this delight secures the development of civilization by forcing the people to work out a super-human plan of which they are unconscious.

A dismal mistake in political economy bases the advance of mankind upon self denial and sacrifice, claiming that wealth is achieved from hardship and with cruelty, when the truth is everywhere apparent that advances are gained by ministering to man's happiness, by increasing the number of his appetites, and by the delight obtained in satisfying them.

Pain and distress never secured a single advance in organic evolution from the monad to man, and the magnificent miracle presented to the world by the progress of civilization has been secured by increasing pleasure and happiness among mankind; each step was gained because it was a step toward the greater knowledge upon which enduring happiness is built.

Pain is a guide post in the flower embroidered line of ascent by which thorns are set to protect the blooming roses and to teach us what to avoid.

The joy each man, woman and child receives from spending money is the motor force of civilization. Only as millions are given greater access to money and to the joy of spending it, may humanity hope to achieve its destiny.

To allow tens of millions of people the money which enables them only to win a savage existence amid surpassing wealth, is to force upon them the brutal pleasures of barbarism, and to cut them away from all the higher influences of civilization.

When spending-money is distributed to each person as each contributes a service to the whole society, then money will circulate as the vital force of society and as money should circulate according to its natural laws.

While it is true that wealth may only arise from the growth of cities, it is also true that the city is responsible for its unequal distribution, and for the worst forms of suffering and injustice that have ever afflicted the human race.

A city grows in wealth and commercial power according to a law of density among its consumers which allows one-half the total population to be set free from supplying their own wants and to work for the general welfare.

The density of consumers in a city compels a corresponding density in production, and the time saved by distribution in one case is again saved in producing the enormous increase of products which the markets of a city demand. A certain density among consumers for example must arise before water may be brought from a better and purer supply and be served night and day in unlimited quantities without waste or labor.

The power to consume water grows with the convenience in the supply and with the reduction in the cost; a family in a city will consume daily a hundred gallons of water for each person, whereas, the same family in the country would consume but a gallon for each person. The supply and demand increases a hundred-fold by the ease with which an enormous quantity is secured.

The same rule applies in every direction where production is aided by machinery, and where cities promote distribution. The few yards of cloth that satisfy the demands of a family when manufactured by a hand loom are multiplied a hundredfold when machinery produces cloth at a cost of less than a cent a yard.

The riches of a city springs from the enormous surplus which consumers are able to buy, which creates profit and furnishes money to build its industrial organization.

Riches depends upon an inflation of money coming into existence when surplus products concentrate in a city where consumers and buyers of them are independent and separate from the producers.

The chief distress which holds back the progress of sparsely settled countries is found in narrow markets, and in the persistence with which a very limited variety of supplies holds down the increase in trade, thereby preventing the development of fixed improvements upon which wealth is based.

In sparsely settled districts the isolated family goes into the adjacent forest and cuts the logs to build the house it inhabits, which will remain its home for two or more generations, but the inhabitants of a city are somehow compelled to pay for cutting more logs consumed as railway ties each year than would build all the log houses in the thinly settled parts of the entire country.

Iron, for example, is now so rapidly consumed by railways and other industries that each family in a city is somehow compelled to pay for, to dig and smelt a hundred times as much iron each year as a family in the country required in its life time.

The writers who seek to explain our markets, and the influence of prices upon them, usually confine themselves to the market for goods that are directly consumed in the daily life of the people, but neglect to take into calculation the enormous consumption upon which this primary supply depends for its transportation and distribution, and upon which all our fixed wealth depends for its maintenance.

The great wealth of cities owes its existence to strange power of association resulting from increased consumption, by which the whole people save more than was formerly consumed. A family in the city is getting the wealth that comes into existence with no increase in labor, and which is distributed with less labor than would be required to gather the wild berries that grow freely along the roadside in the country.

Ten thousand families, for example, living in the country are each required to have a well from which to secure a water supply and must make millions of trips for the water supply of ten thousand families.

The same ten thousand families concentrated within a city will have a water supply at hand, have it without labor in unlimited quantities and will consume a hundred times as much as when living in the country.

The increase in water supply a city family enjoys, would have taken too much time from other work in the country. The city supply arises from the actual trips that are saved in the country, and the increase of supply represents the gain from coöperation and from machinery using no more labor than was formerly used in securing the country supply.

The time taken by a family in the country to supply it with the lumber it needs may be set down as the limit in time any family can devote to procuring lumber, and the increase in supplies which accompany city development is a gain from machinery that does not encroach upon human labor.

The time taken to weave a few yards of cloth is the limit in time each family may devote to the clothing industry, and the tremendous increase in output must arise without adding any burdens to human labor.

In traveling over the entire market we discover how marvelously the laws of natural development have conserved the human element in society; how much more abundantly each moment of human labor is rewarded with an increase of consumable goods.

The quantity and variety of goods could not increase for each family unless some power makes the units of human labor the basis of the advance in industry, and the basis of coöperation.

The labor unit is magnified, and multiplied by every increase in the output of goods, and as units of labor are being followed by the greater output, the money units must likewise increase, so that the greater wealth may be more equally distributed.

This distribution of wealth depends upon a supply of money dividing a very limited quantity of labor into minute fractions by combining them with unlimited yards of cloth, gallons of water, or pounds of materials. Each dollar of value is based upon a unit of labor combined with a unit of time. The total supply of consumable goods is divided by the supply of money into prices, and as the quantity of goods multiplies the quantity of money should keep pace with it by increasing the supply of dollars paid in wages.

Surplus money arises in great abundance within a city where it governs the wealth that accumulates there, and when wages fail to increase, the gains in money concentrate wealth to a favored class, who secure surplus money by borrowing it and by pledging future labor to return the money buying unearned wealth.

Chapter III

POLITICAL ADMINISTRATION

There is no greater poetic illusion than the one, that describes the country as the birthplace of liberty and independence and the city as the parent of tyranny.

The families who make up the rural communities of the world are given credit for the growth of liberty, and for nursing independence to strength and maturity.

The fact seems to be forgotten that the loneliness, and isolation of life in the country is fatal to all the higher qualities of the soul upon which the existence of civilization must depend.

But country life was responsible for one of the most powerful of human desires, it was instrumental in securing liberty by bringing about the struggle to establish private property for the common people.

The historic battles for liberty were, in fact, battles to maintain rights in private property, to gain the right to that spot of earth upon which the security of life in the country depends.

But when this institution of private property is extended from the country where it properly belongs to the city where it has no right to exist, it creates the most appalling injustice.

When ten thousand families, with homes in the country, are suddenly transplanted to become families with the same homes in a city, the surroundings of field and forest and bright skies are completely changed to surroundings of closely built walls, fronting a street, and backing into an alley.

City life profoundly changes all the rights upon which private property is based. Instead of a city family requiring the absolute right to a particular spot of earth, from which all others are excluded, such absolute control over property would result in the speedy death of the family in the city if it was exercised. The city family cannot get a cup of water unless neighbors are called upon to assist in carrying it, nor can the most simple daily wants be supplied without constant help from others.

There is, in truth no strictly private property within the boundaries of a city. The homes of the people have become a collection of cells that are intimately associated with the corporate body, not only loosely threaded on lines of streets and alleys, but most vitally joined together by underground connections for water, light, heat and power.

The mass of legislation, upon which society is supposed to rely for its peaceful existence, has been but slightly changed in five thousand years of history.

Legislation was everywhere founded upon the theory that the rights of property were superior to the rights of persons. The rights of persons granted by law,—as the abolition of slavery, for example,—have been careful not to interfere with the previously established rights of private property, and freeing slaves as a consequence has been of questionable benefit to them.

Property laws are founded on the theory that each family has its spot of earth secure, and therefore has its freedom guaranteed, and the law in protecting this mythical spot of earth extends private property everywhere without regard to human rights.

The law protects the rural owner of the earth in his savage right to a hunting range from which he may exclude all other persons, protects him with a savage jealousy born of the times when the defence of the hunting ground made a warrior the chief of his tribe, and the times when fighting to acquire more territory was the only occupation deemed noble.

For many hundred years and until quite recent times, the streets of cities were treated as rural roads, over which the abutting owner exercised a control that was only relaxed to allow the public to go and come. Such roads could not be improved for the benefit of the public without first obtaining the consents of the abutting owners.

This rural control over streets has thousands of monuments in every city, when instead of encroaching on the country road with his fences, the city owner takes half the public walk-way for a private entrance to his dwelling or cellar, so he may use the space taken from the public to enlarge his back yard.

The so called sacredness of private property, and the hallowed judicial procedure relating thereto, is a relic of barbarism, by which one ignorant and greedy savage is invited to attack another by a law suit that will damage both of them.

A system of private property, necessary to hold a savage and isolated people together, should not now be defended and excused in our times, when it has no present good to its credit, because it was of great benefit in times past.

Slavery was as essential in the early history of struggling humanity as was private property in land, and the one was the parent of the other, and as slavery declined the rights of private property were extended, when they should have declined as civilization advanced.

Transplanting a system of private property by which families are isolated, from the country, where it is native to a city where an isolated existence is impossible, is to create the most violent antagonisms by law between the low order of society the system protects, and the higher civilization seeking to displace it.

Science and invention make new demands upon the earth by creating new uses for its mineral, and other resources, demanding new means of transportation in railways and new communication in telegraphs and telephones.

These new demands were quick to meet the brutal opposition of private property, which became the deadly foe to that closer union among the people, which an expanding civilization was seeking to bring about.

Private property would have utterly destroyed the benefits of science, of new discoveries, of expanding knowledge and culture, by its power to deny the use of the earth to labor, but for the fact that the owner of the earth was willing to sell his precious rights.

Hunting and fishing are supreme by law in their control over the earth. The owner may keep the railway from his hunting range, and the steamship from his fishing grounds, except in the rare instances, where the sovereign power of eminent domain is exercised.

Anyone, who has been connected with modern development in the building of railways and factories, has been made painfully aware of the laws of feudal tenure protecting the hunting range for the savage.

Each separate private owner of territory is a legal lord whose property is protected for him by the wealth and power of the nation, protected by laws inherited from Roman times, that resist in our own times the changes in industry that would move the mass of mankind from a barbarous to an enlightened civilization.

The benefits from science and from invention have been at the mercy of private property. We are unable to grant the common people a measure of progress because we allow the private owners of the earth to rake off all the gains from labor as an unearned rise in the price of landowners land.

The profit in selling land at continually higher price gave a mighty impulse to greed by making thousands of men eager to profit by charging labor higher costs for the land furnished for them by nature free of cost.

If private property was limited by law to the property that has a shadow of a claim for being private, for the protection of the home and the family no objection need rise against it, for in such case only a small area of the surface of the earth would be required for purely private purposes.

The rights to private property need not then conflict with the rights of the public, and the property in cities, in railways, in factories, in great stores, and public utilities would be recognized as public. The owner of private property is now between two forces, one of which will increase wealth from public use, and the other depends upon private use. A gain in one direction may become a loss in the other.

Thus, for example, the right to dig a ditch among farmers to drain land becomes a public right when the lands of many private owners are affected, and ditching was for a long time violently opposed upon the theory that the single owner near the outlet possessed the private right to obstruct the ditch on his own domain, and could refuse to allow the farmers above him to widen and deepen a ditch across his private territory.

Tens of thousands of the most absurd legal battles are constantly being waged to establish the superior right of one private owner over another similar private owner, because some public necessity demands a public improvement for the common good.

It was centuries before one private owner of land obtained a legal right to enter upon his land when he was cut off from a highway by an intervening owner, and when this right to an outlet was secured, it was carefully restricted to the surface. In many states in the United States land having mineral under the surface, and cut off from a highway, cannot secure an outlet for the mineral product over the land of an obstructing owner.

The owner of a few acres of barren land in West Virginia, for example, that cuts off a railway at the mouth of a creek, may prevent thousands of acres of coal, or other mineral from getting to market on account of the superior right of one private land owner over the other.

When cities sprang into existence, at favorable locations, a remarkable increase in manufacturing was developed calling for an enormous increase in supplies of raw material. On account of private property, the demand for labor was cut in half by the increase in the demand for land, because the money labor had to earn was spent for the land labor should have been permitted to improve without cost.

The confusion increased between private and public rights to property as the demand for increasing supplies of raw material called for higher uses of the earth and for higher prices of land.

But for the fact that this demand for land had a vast expanse of country over which to spread, new industries could not have developed. When one owner refused to sell land to be improved another was found who needed the money.

The evil that develops in a city from asserting private right to property that is not private, and where no such rights exist, may be more easily imagined than described, because the limited territory of a city makes the field of congestion a narrow one and multiplies the injustice the public is compelled to suffer when they are denied their property rights.

From remote times, when pirates claimed the right of private robbery on the high seas, when brigands regarded merchant caravans as their rightful prey, when feudal barons spread chains across rivers to plunder peaceful commerce, until today, robbery by private right to plunder the public was never more firmly entrenched in law.

The right of private property has become an extension of the ancient right to rob the public on every highway of commerce, and new methods of theft develop as new forces of production open up new avenues and as new streams of goods flow to millions of consumers.

The so-called sacredness of law, and the uprightness of the judiciary, has reference, altogether, to maintaining the present system of legal wrongs relating to private property.

The modern pirates on the high seas of commerce may well sing the praises of the courts that spread legal chains across every channel where tribute may be laid by the right of private robbery upon public property.

The laws, forcing private ownership upon property that is not private, but public, are laws that outlaw the public from the wealth they create, and take away their property and their rights; are laws that put sovereignty under private control, and prevent the people from helping themselves, by denying their natural rights and will force a revolution upon society to secure them.

The great industrial systems of the country, the railways, telephones, and other utilities, pile great totals of wealth upon insignificant areas of land the owners of which are given sovereign power to levy tribute upon the public, by having the absolute control over the wealth the land supports.

If every family in the entire country was given the land they each required for purely private purposes, so as not to conflict with the land required for public use, the difference between private and public property of all kinds would then stand out clearly, and the wealth that was purely private would be seen to be an insignificant part of the total.

As the character of our wealth has changed, as each family was being required to buy the goods it consumed, instead of producing them, so also did the right of property change by a decline in the private right, and by the increase in the rights of the public.

The right of each person to himself is a right conferred by nature, and is not a right the law originates. The right of each person to himself is instinctive in every human being, who is expected to maintain it at all times, and defend it with his life when it becomes necessary.

The right of private property is intended to widen the right of each person to himself, and not curtailing it by giving to some persons the rights over the property of all the people.

When the law extends the domain of private property over the property of the public it may only do so by giving the private owner the right to trespass upon the public, instead of protecting the public property from trespass.

The line dividing the natural right to private and public property is the same now as it ever has been, it is the line dividing the private interests of each family from the private interests of every other family, but there is no right that calls for an extension of this private family interest to be extended over the property that is essentially public in its nature.

CHAPTER IV

PROGRESS AND TRESPASS

A long road stretches across a wide country, at one end of which wheat is a surplus crop, because it is cheaply produced, and at the other end hardware is the favored product.

On account of the high cost of wheat at the hardware end of the road, and the high cost of hardware at the other end, they will seek to exchange with each other along this road.

A load of wheat will travel to the hardware terminal and trade, while a load of hardware is seeking the same trade in the opposite direction, and when thus handicapped by the long road the small trade could never become important.

At right angles to this main road, and crossing it midway, another road stretches across the same wide territory. At one end of the cross road, drygoods and groceries are cheaply produced, while meat and corn are the surplus products at the other end, and a load of any kind must travel the entire distance in making an exchange.

As population increases in this territory the volume of products and the demand for them will grow, and trade will expand with the variety of goods offered to all the people in the whole territory.

A load of wheat going East for hardware will be accompanied by load of wheat going North—from the cross road—to trade for drygoods, and each returning, one with hardware the other with drygoods.

The crossing of the two main roads will soon become the meeting place of teams from every direction, a social and business center will develop there, friendships will be formed, news from all over the territory will be exchanged, and carried in free delivery to all the people, creating that common territorial knowledge upon which the rights of the public depend.

At the cross road a farm house will change into a tavern where traders will meet to discuss the news, the crops and the weather.

It will be but a slight step in advance for a teamster with a load of wheat, going a long distance for groceries and drygoods, to discover the things he wants from another teamster seeking a load of wheat, and an exchange at the cross road will permit each to return and save one-half the time and expense of the trip.

As soon as this advantage becomes apparent the cross roads will become a place of great activity, and will be congested with wagons seeking to exchange loads, blocking the main roads for a mile or more, threatening a greater loss from delay than may be gained by the distance saved.

If there were no private rights of land to interfere,the territory on all sides of the cross roads will be invaded for room for the wagons in making trades, which will arrange themselves so as to go and come with the least delay, thus marking out the first faint lines of streets and alleys in the coming city.

The next step in advance will be the discovery that a good living profit is to be made from small stores for the benefit of the traders, and wagon shops, leather, blacksmith and other small industries will appear.

Building will then make a beginning in a village that is to become a great city, and warehouses will allow the teams to discharge and sell without the haggling of barter, and a standard price will allow system to be introduced in making exchanges.

The first great step in the early history of this cross roads city will be the one that introduces a permanent building industry, upon which manufacturing will be found to depend.

When the activity in building establishes its advantage at the trade center, it will force the manufacturing from the surrounding territory, selling goods in the city, to locate there on account of the advantage in securing supplies of labor and raw material.

Building of every kind is greatly handicapped when it must be carried on where its material is difficult to assemble, and where its labor must be imported, and temporarily provided with houses and provisions.

When a permanent building industry is established at the city location it will become the chief consumer of labor and material, and on this account will aid in the success of every other undertaking.

When a great consuming population gathers within a city boundary, the gains from association will not all arise from the saving in the cost of delivery, but equal gains will arise from savings in the density of production from the closely connected population.

The entire country will be blocked into great city districts, each of which will be governed, by the size and importance of the central city, and as the city increases in population and wealth, the surrounding country will gain a like advance, and take on a prosperity the city will generate.

The few square miles, within the charmed circle of the central city will represent the public demand for territory, a demand that comes from the country where the city draws its support.

A land owner in the city will discover to his surprise that he may sell city land for a price out of all proportion to its use for any private purpose, and having sold he makes the additional discovery that the price of land continues to advance with the increase in wealth and population.

The owners who sell land as the city is spreading over more territory, see the price advance after they have sold and rise beyond any price their fondest dreams of wealth could have anticipated, and, for this reason, many refuse to sell, and thereby prevent building.

At the main cross roads, where wagons meet to exchange loads and return, the ones meeting at the exact center of exchange will save the most time, and each step away from this center will be a loss of two steps, one step out of the way, and another in returning to it.

The balancing of steps in seeking the trade center, where the greatest volume is to be sold, by millions of trades made daily confines the trade in a city to a very small area of land near the center of population.

The steps saved by the consumers of goods are responsible for the great buildings in a city, and the wealth accumulated there, and for the increase in height of buildings instead of spreading them over wider territory.

Each and every building in a city bears a fixed relation to its trade center, where the greatest savings in time may be made by the consumers, and as a city spreads over more territory in every direction from this center, the number of favorable locations will be greatly increased, and profits will be more widely distributed.

This central territory in a city, in common with all other territory, is made private property by human law, and a city cannot spread in all directions in obedience to the laws of its own development but will spread on lines of least resistance determined by the private owners of the public territory.

This trespass of a private owner upon public territory is the first, and fundamental interference to the normal growth of our cities, crowding population together where it should spread and creating large stretches of vacant land to be kept vacant that would otherwise have allowed an even and healthy growth.

When human law extends the right of private property over the domain of the public, it may only do so by permitting the private owner to trespass upon the public.

When a city is increasing in wealth and population, and when the entire country is developing its civilization, the natural relations between mankind and the world it inhabits are reversed by private property in land.

Instead of nature being allowed to assist man by the easy access to natural resources, from railroads, and other means of transportation, the landowner is interposed between nature and man, who looks upon the improver of the earth as a trespasser, and whom the law has made a trespasser.

There is no twilight zone in natural law, as there is in human law, where property rights are confused and indistinct. The line dividing the private from the public is as clear in natural right as the shore line dividing the continents from the oceans.

Limiting private property by law to private uses only, does not mean the government ownership of all property not strictly private, but it does mean that the public must be protected in its property rights when such rights are in private hands.

When a city is growing, the activity in building calls for great supplies of labor and material, which building consumes, and the money paid for this labor and material must be advanced from the commodity fund, which must be reimbursed after the buildings are sold, just as the employer is reimbursed after goods are sold.

The sale of buildings demands a money of its own distinct from the money buying goods, and this money must arise from the buildings selling for more than they cost.

Buildings represent past labor, and the money they supply must increase prices with a money that has no cost in present labor, so that the no-cost-money and the no-cost-prices will balance the demand and supply of money with the demand and supply of products.

During the building period this rise in price above cost is plainly the cause of the advancing prosperity in a new country

The history of every building period will show that the rise in the price of property above its cost is the mainspring of all the activity in the employment of labor in this field, and in the circulation of money.

Our progress and our wealth depends upon our ability to inflate the volume of cash paid out in the commodity market with an inflation derived from the property market, and to take off this inflation as a money profit, and our distress and failure comes from a loss in the margin of this profit.

There are two prices for every building, a cost price and a selling price, the same as for goods, and the entire circulation of money will finally depend upon the. selling price in the building market, where labor is finally paid its share of inflated money.

The gain in money price above the labor cost comes from an inflation of bank checks being added to the cash in the commodity market after buildings are completed and are for sale; and unless this inflation will give the building industry its margin of money profit the circulation of money will be destroyed for building.

The banks are able to add an inflation of credit to the cash circulation because they are able to keep ten dollars of credit currency payable in cash by having but one dollar in cash on hand to redeem bank checks on demand. But labor may be called upon to redeem this bank money in the actual cash it earns, and when labor is called upon to redeem inflated money in cash a crisis of some kind falls upon the country.

The ability of banks to keep ten dollars of credit payable in cash is based upon the value of property taken as security for its loans, which means that bank currency is based upon the wealth of the country and not directly upon its labor.

If bank currency is based upon the value of property why must it be made payable in cash which is limited to the price of goods, and to the wages paid to the producer of goods, why not circulate an enormous quantity of bank money payable in the property taken by banks as security for loans?

The property of the country has no intrinsic value, as it appears to have, but like the value of goods it is directly based upon living labor, with past labor as a security, and if living labor is called upon to pay for money put into circulation by property it is expected to get the property for the money it is called upon to redeem.

The value of property is a labor value, and there is a vast difference between the value of living labor, and the money value that may be given to property by the labor of the past. This credit or past labor money is not expected to be paid in cash from the money living labor earns.

Credit is expected to circulate merely as a monetary price, as an inflation of money having no cost in present labor, so it may get a value in present labor, it is allowed to inflate the prices of present products so that one dollar of cash and one dollar of credit will circulate equally in buying every two dollars worth of goods or property.

When prices rise above cost the gain is wholly one of inflated money put into use by some property owner, and this inflation of money is what every man in business is seeking to get, and gives rise to what we call "making money" as distinct from "earning money."

The quantity of credit that banks might add to the circulation appears to have no other limit than the value of property, and every scheme to inflate the currency seeks to coin this value of property into money, upon the theory that property has an intrinsic value independent from labor, and money is a mere counter in an exchange of intrinsic values.

But no more inflated money will circulate than living labor can redeem in wages and in prices above cost, and the quantity living labor can redeem, when paid its share of inflation, is regulated by natural law.

The cash paid to labor in the commodity market and the credit inflation which property may add to this cash must join in prices above cost, and for this reason every credit dollar is limited to a cash dollar that must redeem it, and no more credit dollars may be added than the cash which represents the selling price of commodities.

The inflation having no present cost in labor must circulate in common with cash, and for this reason it must be paid as a bonus in paying an increase in wages that does not call for more work. The property owner who puts inflated money in circulation has but one chance to make money from it, and that chance comes from employing labor in building and selling the building for twice its cost, which fact limits the total inflation that may circulate to the selling price of buildings labor is able to produce each year.

It needs to be clearly understood that living labor is called upon to redeem every dollar of inflated money in wages although such money is based on the value of property, and although it has been once earned by past labor. The limit to the inflation of credit in the general circulation is fixed by the limit in cash, and every cash dollar may be accompanied by a credit dollar in prices of twice the cost, and taken as a monetary profit, and this profit is expected to be spent as an investment in accumulated wealth.

In every two dollars of the selling price one dollar is a profit, and one dollar is cost of labor, but this cost of labor must also carry one dollar in profit to labor for every dollar it spends for goods, allowing wages to advance to twice the cost of living.

The gains from the monetary price above cost should divide equally between all laborers and all business, the limit in gains being fixed by the number of laborers employed, by the number of dollars paid in wages when each dollar carries another dollar of inflated money.

There are two distinct fields in which to circulate two quantities of money, the commodity market and the capital market. These fields are connected by the profit from the sale of goods, to be recovered when capital sells for twice its cost, thus transferring the inflation to the property market after it has been cancelled by labor paying twice the cost of goods.

The quantity of capital labor is expected to produce every year should equal the value of goods in the same year so as to keep the demand and supply of money equal, and return the inflation to labor from the capital market that was taken from it in higher prices of goods.

Capital cannot sell for twice its cost, unless a location is secured where the profit from the sale of goods will pay twice the profit where there is no advantage of location but the price of land will advance at each good location and use this profit above cost as a basis for the selling price of land.

This selling price of land has a most disastrous effect upon the circulation of money, because it takes the difference between the labor cost and the money price, upon which the entire circulation of money depends for the employment of labor. The price of land takes the profit once as a rise in price of land when it should be taken as often as a dollar of cash may combine with a dollar of credit in selling new goods and new capital.

When land reaches the limit of the rise in its price, the inflated dollars that should circulate in the building market will have been cancelled, and debts will take their place, and instead of having a currency based upon the value of property we will have debts taking all the profit as interest on borrowed money.

The effort is being constantly made to restore the credit money destroyed by the rise in price of land by new inflations of cash that will carry new inflations of credit and allow profits to be paid in employing labor.

But the rise in price of land follows every cash inflation as it followed the credit inflation and destroys it—leaving more debts than before and a greater burden upon labor and upon the contracted circulation.

Chapter V

SUSPENDED ACCOUNTS

A man of leisure living in a city goes where he pleases, he rides or walks, takes in the theaters, and stops at the best hotels, uses cabs or automobiles at his pleasure, entertains friends, has a yacht and private car, and does not count the cost of his most luxurious living.

Labor must furnish all the services daily for the idle rich and the exact process by which labor may be drawn upon for this purpose is veiled in the deepest mystery or it would have long since come to an end.

The rich man pays in money for every service as he gets it and there is no direct cause of complaint, but on the contrary, his spending is supposed to be for the general benefit on account of the increased demand for labor never dreaming that this may be the reason for the lack in employment and the low wages.

When the rich man pays as he spends, he is supposed to settle his account with labor in full, and such should be the case, for it would be impossible to call upon every man to account for every dollar he spends, and answer how and where he obtains his spending money.

The man of leisure obtains his spending money from a bank where he keeps an account. A bank is not a place where a man keeps his money, as we are so often told, it is a place where a man of wealth may have his wealth coined into money for him and where the wealth that cannot be consumed may be exchanged for the cash that labor must accept for its services.

The rich man who spends cash and who earns none of it, is exchanging wealth in its fixed form for the cash that pays for the daily services of labor, and the bank makes a profit from the coinage of credit into cash.

When it appears, to the outside world, that a man of leisure is spending cash in his extravagant living, the fact is clear to the banker that credit is being spent, and is being as rapidly reduced as it is being spent.

The exact process by which a part of the people live upon other people while they appear to be assisting labor with the money they spend, will be found in the process by which a bank keeps ten dollars of credit money redeemable in labor for every two dollars labor receives in wages.

The credit money of the country is money furnished by past labor, and is intended to distribute wealth by increasing wages from this volume and when labor fails to get it as a bonus, it goes as a bonus to the men who do not work.

This addition of money, having no cost in present labor, gets into circulation by increasing prices above their cost and makes room for itself by first increasing the prices of consumable goods, which is expected to be followed by a rise in wages.

Getting money into circulation, and keeping it there after it is in, is a different proposition, and labor loses by the failure in keeping this money in a permanent volume after the banks have added it to the supply on hand.

The rise in prices putting credit money into circulation must be followed by a corresponding rise in wages if it is to remain, and the difficulty will be found in the fact that prices will rise from this inflation while wages may remain stationary.

When an inflation gets into the general system, it is carried by the rise in prices, and if higher prices are not followed by the required rise in wages the inflation must then be taken out of circulation, and the door by which it entered is left open so it may retire, if it is not allowed to circulate by increasing wages.

The rise in the price of commodities is the open door by which an inflation of past labor money is added to the present cash circulation, and this rise in price is used to retire the inflated volume if it is not followed by the required rise in wages.

The credit inflation introduced by the owners of wealth has been once earned by past labor, and our financial sins are a result of demanding this money be earned the second time by living labor paying twice the cost of goods without a corresponding increase in wages from bank check money.

When prices of goods rise to twice the cost and wages fail to meet the higher price by rising to twice the cost of living, the inflation is cancelled by taking two dollars from low wages to buy goods that cost but one dollar, and thus compell labor to earn and cancel a dollar for which it gets nothing.

There is a limit to the credit money labor may be called upon to cancel, and when wages are not increased by the inflation, the limit in the circulation of credit is fixed by prices of goods above cost.

How great a quantity of money may property owners add to the supply and circulate outside of wages by laborers redeeming a part of it as they pay for goods at prices above cost?

The answer is that wealth may keep a volume of counterfeit money in circulation that will buy all the capital labor may produce, and will concentrate all wealth to the men who control the issue of counterfeit credit money.

The "Quantity Theory" of money has been a bone of contention during hundreds of years of discussion, and its simple statement is found in the equal relation between capital and labor.

The quantity of money the market demands is a quantity that will balance the sums spent for all purposes in a year with the sums paid to labor for services of every description.

Labor cannot be defrauded by capital as long as the demand and supply of money balance, in other words, as long as the money spent each year for all labor products is balanced by the money paid to labor of every description the same year.

To merely assert that labor only needs a balance in the demand and supply of money, is not as simple a matter as it may seem, and as the statement of it will appear.

Time plays an important part in this equal demand and supply of money, and when a year's time is being allowed to strike a balance many interferences may occur on account of this lag in time.

If there was but one quantity of money its time of circulation would not be so important, and the balance could not be so easily disturbed, but there are two distinct quantities each having its own time of circulation, a conflict arises in the relation between the times of the two different quantities.

Before an equal demand and supply in the quantity of money can be secured the difference in time must be harmonized by equal differences in quantity, so that equal sums of each kind of money will be included in the sums paid in wages every day.

The time given the quantity of cash to make a complete turn-over, is about sixty days, and for this reason the quantity of cash and the cash paid in wages for a sixty day period must be equal and balance.

The time given the quantity of credit to make one complete turn-over is a year, and a dollar of credit is expected to be paid to labor for every dollar paid in cash, the slower circulation of credit demands a corresponding increase in quantity so that the credit paid in wages daily will balance the sum paid from the cash volume every day.

Thus it follows that the rate of wages depends not only upon the time of circulation but also upon the quantity of money, and as the wages for sixty days determine the quantity of cash, the wages for a year will be expected to fix the quantity of credit.

The loss in wages from the contraction of money will be found in the circulation of credit, the cash quantity can not be reduced because commodities demand a cash market and this cash market prevents any delay in time by which a smaller quantity of money could be used to pay labor.

The total quantity of cash turning once in sixty days will turn six times in a year, and will fix the quantity of goods sold in a year for cash, and will fix the minimum wages by the minimum quantity of money that must be kept in circulation to allow the people to live.

If the total cash in circulation is three billion dollars and if it turns six times a year, the annual sales of goods will be six times three billion dollars, or eighteen billion, and the minimum wages should equal a like amount.

Credit money is given a year's time, because the value of capital is fixed by a rate of interest, and not by the wages of labor, and this slower circulation of credit demands a volume of it in circulation six times as great as the volume of cash, so as to pay dollar for dollar in credit money along with the cash paid in wages.

When the accounts between these two quantities on money are out of balance, the quantity of credit will fail, by arrears in account due to labor for some wealth sent to market and sold that has not been settled for in wages. This delay in settlement must be charged as a debt on account of an interference with the time of circulating credit, the time being extended so as to allow a smaller quantity to postpone cash payments to future payments.

There is no good reason for a contraction in credit money, as this money in the form of bank checks is much superior to cash in many respects and has no cost in labor, and the banker and property owner expect to profit from the issue, and on this account to keep as much of it in circulation as labor can redeem.

The difficulty is not found in any deficiency the property owner or banker would issue, but in the quantity labor is able to redeem by not having a part of the bank checks included in its wages.

How to keep credit in circulation comes continually to disturb the banker. It is easy to put out but hard to recover from the payment of loans; the failure in credit to stay in circulation is based upon the fact that wages are too low to redeem the quantity the business of the country demands.

To the superficial observer the circulation of bank checks may not seem important to labor, seeming to be the money peculiar to the rich, and the fact escapes that because bank checks have become the money peculiar to the rich we have all our labor troubles.

The total bank check currency that should circulate as cash in this country is about fifteen billion dollars, and the failure in circulating bank deposits as cash is responsible for ten billion dollars worth of them becoming dormant and being invested as capital.

The rise of prices from cost to twice cost depends upon an inflation of bank checks doing the work of cash for the price above cost, and since money will not circulate unless goods will sell for more than they cost, the entire circulation of both cash and credit will depend upon the quantity of credit that advances prices above cost.

Capital has no way of getting money to buy material and pay labor in building except by having a bank convert credit into cash, and banks keep a large volume of credit payable in cash on demand by holding a cash reserve for that purpose.

When capital spends credit in buying material and employing labor to build the inflation of credit increases the prices of consumable goods so as to carry the credit money, and the price of goods above cost is made to carry the cost of capital.

The money paid to labor in one day cannot be recovered the same day to be used the following day to pay labor with the same money.

It takes time for a given quantity of money paid in wages to flow from millions of hands of consumers back to the employer to be used over again, and this time demands a quantity of money being supplied to pay labor from day to day until the sums paid are exactly balanced by the sums spent in the consumers market.

When the time balance between the demand and supply of money has been reached, there will be a store of goods on hand balanced by a store or quantity of money, the balance being maintained by a cash market where the quantity of goods and the quantity of money will buy each other on demand.

Cash being paid to thirty million laborers every day, is like pouring water on a dry sponge until it is saturated, the mass of laborers will absorb a large part of the total quantity, which remains continually in consumers hands, until some pressure caused by a desire for something in the market will release it.

If labor in all occupations is paid a total of fifty million dollars a day, and this sum must be paid for sixty days before fifty million dollars is released every day, the quantity of cash is fixed automatically at three thousand million dollars, or sixty days wages.

When labor sends goods to market and accepts money in wages the money paid to labor becomes a claim upon the goods in market, a claim however, at the market price and not at the cost price.

In this way the quantity of money becomes a suspense account in which the claims of money upon goods are being carried until such claims are paid and cancelled by the consumer. Modern production is a process of creating a store of goods, and creating equal claims in money upon them at the same time, and distribution is a process by which the claims of money upon goods are being liquidated.

If the exact balance between claims upon money and the quantity of money is disturbed it is immediately restored by corresponding changes in prices, or by debts postponing cash payment.

Suppose the quantity of money to insure a cash market is suddenly reduced from a sixty day supply to a supply for one day only, and a contraction in cash occurs from three billion to fifty million dollars.

After the fifty million has been spent for one day's wages it would demand sixty days in making settlements with all labor contributing services, and the following days must be without money to pay wages, and wait upon the return of the contracted supply.

At the end of the sixty day period the market would be fifty-nine days in arrears of settlement by cash, and in the next period of sixty days an additional fifty-nine days of arrears in accounts would accumulate as permanent debts.

The natural law regulating the cash circulation protects the consumers market from debts of this kind, and arrears in accounts with labor cannot pile up from a contraction in the cash circulation, and a balance between the quantity of cash, and the claims of labor upon it is always adjusted by rapid changes in prices.

In the capital market where there is no cash market the claims of labor upon capital are not balanced by the required quantity of money and the sums out of balance cannot be adjusted by changes of price, but are balanced by debts and by the unequal distribution of wealth.

When labor is being paid to produce capital the money put into circulation, on this account as cost of capital becomes a price of goods above cost, and the credit money which may carry the claims of labor in a price above cost must get into circulation when capital sells at twice its cost, or fail to circulate.

When goods acquire a standard price of twice the cost, the value of labor will demand the same standard selling price for capital, so that the profit taken from the price of goods above cost will be returned to labor by the sale of capital at the same standard.

The owner of capital seems to have an almost unlimited power of expanding the currency by the value of accumulated wealth, and by the fact that he can borrow to half its value, with wealth having a market price of more than a hundred billion dollars.

The quantity of credit the property owner may keep in circulation is not determined by the value of his property, but by the quantity labor can redeem in wages, and only a fixed volume may thus circulate, but what labor fails to get as an increase in wages, the property owner may issue as a debt as fast as labor can produce the wealth the debt will buy.

The quantity of credit that may enter the permanent circulation and not be cancelled in the commodity market, will be determined by the selling price of the capital labor may produce in a year.

The quantity of money in this secondary market is given a year to turn over, and it should be balanced by wages paid in the same market during the year.

The balance between paying wages and spending money to buy the new wealth means that the buying is carried on in a cash market, and when the quantity of money fails to circulate as wages, cash cannot be paid and the smaller quantity must have more time than a cash market gives, and debts are created to allow a contracted wage circulation to distribute wealth unequally.

If labor is to have its claim upon capital paid in wages above the cost of living, such claims can only be settled when a cash market is maintained for capital, for it is only by a cash market that the quantity of money sufficient for this purpose can be held in circulation.

It is when the annual production of capital sells for twice its cost as fast as labor may send it to market, that the turn over in money is established upon which the payment of wages must depend.

The continual sales of the annual production of wealth at twice its cost, gives rise to a continual inflation of credit from the gain in price above cost, an inflation that has no other outlet but to be paid in higher wages, and spent for the distribution of wealth.

This continual inflation from prices of capital above cost is expected to first supply the market with all its need for money, and then to supply the investment money to buy new wealth for new owners, and when capital will not sell at a profit no new money can come into circulation for investment.

CHAPTER VI

PRIMARY CREDIT

"Pardon me, "says John Ruskin, "men of business do not know how they make money, or how on occasion they lost it.

"Playing a long practiced game they are familiar with the chances of its cards and can rightly explain their losses and gains. But, they neither know who keeps the bank of the gambling house nor what other games are played with the same cards, not what other losses and gains, far away among the dark streets are insensibly connected with theirs in the lighted rooms. They have learned a few of the laws of mercantile economy, but not one of those of political economy.

"An accumulation of real property is of little use to its owner unless together with it he has commercial power over labor. Thus suppose any person be put in possession of a large estate of fruitful land, with rich beds of gold in its gravel, countless herds of cattle in its pastures, houses and gardens, a store house full of useful stores, but, suppose, after all, he can get no servants, some one in his neighborhood must be in want of his gold or his corn.

"Assume that no one is in want of either, and that no servants are to be had. He must therefore, bake his own bread, plough his own land, shepard his own flocks, His gold will be as useful to him as any yellow pebbles on his estate, his stores will rot for he cannot consume them.

"He can eat no more than another man can eat, wear no more than another man could wear. He must lead a live of severe and common labor to procure even ordinary comforts. He will be ultimately unable to keep either house in repair or fields in cultivation, and forced to content himself with a poor man's portion of cottage and garden, in the midst of a desert of waste land, trampled by wild cattle he will hardly mock himself by calling 'his own.'

"What is desired, under the name of riches, is essentially power over men; in its simplest sense, the power of obtaining, for our own advantage, the labor of servant, tradesman or artist, in a wider sense, authority of directing large masses of the nation to various ends (good, hurtful or trivial) according to the mind of the rich man.

"And this power of wealth of course is greater in direct proportion to the poverty of the man over whom it is exercised."

Let us inquire why Mr. Ruskin thinks, as a matter of course, that the "power of wealth is greater in direct proportion to the poverty of the men over whom it is exercised."

This is assuming a condition to be a natural one because it seems to be universal, without questioning whether or not wealth has the power ascribed to it, or whether this power may not have another source.

If the increase in wealth could not keep pace with the population, and the power of money increased as its volume declined on account of stationary wealth, it would be true as Mr. Ruskin assumes that the power of wealth was dependent upon the poverty of the people over whom it was exercised.

The power of wealth depends upon servants, that is true, but not necessarily upon the poverty of servants, that may be disputed. Wealth may increase as population increases which it does, and it may accumulate from past labor which it also does, both facts having considerable influence on its power.

The power of wealth ought to diminish as its quantity grows faster than the population, and as population may exist in tolerable comfort before wealth accumulates, too much credit need not be given wealth for the power it is supposed to convey.

It is true that a man in possession of a great estate must have servants, and to get them some one must be in need of his corn and his gold, but it is not true that his own servants be in need of either.

The possession of a great estate should carry with it the ability to pay servants a higher wage than if there was no such estate, and based upon this advantage the owner should secure the servants he may need, and not depend upon the poverty of the ones in his neighborhod over whom he exercises the power of wealth.

If the need for corn or gold was the only incentive that inspired men to work, and was all mankind had to depend upon for the advances it may make, the human animal would never have come into existence; birds, for instance, were perfectly equipped by nature, to supply themselves, a million years before man appeared.

The relation of master and servant is assumed by Mr. Ruskin to be a necessary relation for the production of wealth, and more especially for its maintenance and to be the base of the pyramid upon which the social structure has been built.

When servants are not to be had, the owner of a vast estate cannot keep his houses in repair, or his fields in cultivation, and his gold will be as useful to him as any yellow pebbles on the estate.

But the power of wealth is not a power the owner of an estate may exercise over servants, who are in need of corn or gold, however it may appear on the surface.

The field over which Mr. Ruskin spreads his illustration is much too narrow to carry the lesson he would teach, because it omits the world wide market, where commerce supercedes the master and the servant, and makes them equally dependent upon the circulation of money.

The single estate falling in ruin "a desert of waste land trampled by wild cattle, encumbered by ruins of palaces" might be used as a picture of Europe during the Dark Ages, when for six hundred years, an old and rich civilization became a desert of waste land, encumbered by ruins of palaces, and overrun by Barbarians.

The ruin of the greatest empire in the world was not brought about by the need of servants to work on vast estates of patrician families, or by any scarcity in the supply of corn or gold, but came from the failure to circulate the money the civilization of the time required.

The Roman Empire failed because it could not keep the money in circulation to employ slaves, and keep them from becoming bands of thieves, money to keep fields in cultivation and palaces in repair.

The same problem confronts modern civilization, not a lack of useful servants but how to keep them employed, to keep down poverty, vice and crime. There is some defect in socal institutions infecting the body politic with the deadly disease of the unemployed by which millions are unable to find the most desirable work.

The questions at issue do not deal with the fortunes of any man, or with the care of any estate, but deal with the employment of labor that seems ever to become more difficult as wealth becomes more abundant.

The accumulated wealth of the Roman Empire, its great cities, its world wide commerce, its abundant supplies of gold, its resplendent armies, great public buildings, roads and aqueducts, were unable to save it from the disease of the unemployed by which it was ultimately unable to keep its slaves alive and its palaces in repair.

The greatest nation the world had produced found wealth lose its power when it was most abundant, and a civilization was destroyed by Barbarians who had no use for wealth.

The development of wealth demands an interchange between the wealth that commerce develops and the goods that develop commerce. Civilization is an action of goods upon wealth and the reaction of wealth upon goods.

The greater wealth should always be followed by a correspondingly greater market for goods, and while wealth is growing in quantity, the demand of wealth and for the labor and material of construction brings about the greater commerce.

When wealth accumulates this demand begins to fail and its effect is to restrict commerce after a nation has reached the apex of its wealth.

Commerce is destroyed by the failure of wealth to keep the required volume of credit money in circulation, to keep the same quantity in circulation after a nation has developed as was being used while wealth was accumulating.

While a nation is adding to its wealth there is a growing demand for labor and material to create new wealth for the expanding civilization, but as wealth reaches its full development or reaches the limits of commerce, a failure will arise in the demand for labor and material for new buildings. In the beginning of a nation's history the development of its resources will call all its labor and material into use, and commerce reaches its limit of supply on this account.

But when new wealth is not being produced in the same quantities, the reason will be found in the fact that the wealth on hand can not keep itself in existence because it cannot keep the same volume of money in circulation to maintain wealth as was used to produce it.

The total wealth of any nation reaches its limit in quantity when the labor and material for its maintenance consumes the labor and material required to produce the annual supply of new wealth.

The quantity of money that has no difficulty in keeping in circulation while a nation is creating new wealth has the utmost difficulty after all the wealth has been created the labor of a people can maintain, and a failure to maintain its wealth and employ its labor in building, is the cause of the decline and fall of nations.

The continued existence of wealth depends upon the circulation of the same volume of money after wealth has been produced as was used when it was being created, or the commerce which the growth of wealth developed will be lost, and with the loss of commerce the national power declines.

Every civilization fails when its wealth is most abundant and when employment should have grown easier, and contrary to this rule of natural law, every nation finds the difficulty in employing labor grow with the increase in its wealth.

Employment in creating wealth is based upon the circulation of credit money, and during the developing period the accumulator of wealth keeps this credit money in circulation because the gain in wealth is the profit of commerce, and when wealth reaches its maximum and when the power to share in wealth fails and the incentive of wealth ends.

Past labor supplies a vast fund of profit money and its failure to circulate arises from the fact that it will not sell at a profit, but when wealth will sell for twice its cost labor may gain from the inflation as well as the ones who may become owners on account of the same inflation.

The enormous volume of credit money supplied by past labor must circulate as gift money, and in doing so it will first become a gift in commerce as a profit in goods above cost, and this gift must be followed by the same increase in wages above the cost of living.

The conflict to obtain this gift money introduces the abuse of power in governments, the corruption that destroys civilization, and is responsible for poverty, vice and crime.

Gift money can only increase wages from prices of capital above cost, and prices of capital above cost depend upon the constant employment of labor in building, and buildings must sell at twice their cost to keep gift money in permanent circulation.

In its past analysis, the power of wealth consists in taking more money from circulation than it adds by its cost of production, and when labor fails to get this money in higher wages wealth will lose its power to take even its cost money from the general supply, unless it does so by creating debts.

Wealth is handicapped in favor of labor, in as much, as the money buying it in the open market, will not be allowed to circulate unless this money is included in the sum paid as wages.

Every dollar of past labor money must come into circulation as a twin of a cash dollar in buying goods or wealth, and the number of such credit dollars will be limited by the number of cash dollars spent by consumers of goods.

Every two dollars in the selling price must carry a credit and a cash dollar combined, and the quantity of money in active circulation is expected to be half cash and half credit paying labor a sum in cash that will buy all the goods it needs and an equal sum in credit money to buy its share in wealth.

The quantity of cash is made a permanent quantity by being limited by the sums spent for goods, and when wages fall the cash quantity is not only contracted, but the volume of credit may lose five dollars for each dollar in the loss of cash.

Money cannot circulate unless cash carries at least one dollar of primary credit with each dollar spent for goods, and this primary credit acts like a governor of an engine in regulating the credit circulation.

This primary credit is combined with cash in wages that buy goods, and is separated again by profits and again combined by the production of wealth in paying profits out in wages, and it is this compound process that is being interfered with by the failure of building.

The volume of cash should turn over once in sixty days in buying all the goods labor is able to produce at twice the cost, the price above cost carries the cost of building, and the money spent for building can not be returned unless the buildings sell for more than they cost to create an increase in credit in th's market.

The industrial activity in every country depends upon the continuous production and sale of commodities, and only as a surplus in commodities may be used to build capital can wealth be produced and accumulate.

This consumers market must be as certain as the seasons, and is as important to the industrial world as the sunshine and the weather.

As soon as a surplus of goods will release labor to build, and will furnish the material for building, a volume of credit must circulate in company with cash to pay for this labor and material by increasing prices of goods sold to laborers to carry this inflation as a cost of capital.

This primary credit will then be able to keep buying material for building and employing labor as long as the profits from goods are not destroyed by the failure in building to take up its supply of labor and material.

But this wealth itself must be able to sell for its value in money if building is to continue, and money will not be exchanged for wealth unless it will produce the same profit as when it is used to buy goods, and for this reason buildings must secure a secondary inflation that will buy all the wealth labor can produce at twice its cost.

This money must get into circulation by the owner of wealth changing the value of his property into a credit, issued by a bank, that will circulate as money.

It would appear from this fact that the owners of property have the power to issue credit money to the full value of all the wealth accumulated from the past, and thereby return to circulation all the money spent to create wealth.

But experience has demonstrated by many disastrous inflations of currency that property has no such power to issue money, and the difficulty with modern banking arises from the same idea that property may be given a money credit equal to its cost.

Property should command its value in money, but this money has a value in past labor and the difficulty with the money property demands is that it must be a money redeemable in living labor on demand.

This demand upon money by capital requires credit money to have two functions while cash has but one, and prices must be inflated to allow credit to acquire the function of being redeemed in both living labor and past labor. This function of credit by which it is redeemed in living labor is secured by its being redeemed in cash.

The cash labor must supply to keep past labor money payable in cash on demand, gives labor its claim upon the property belonging to the capitalist class, for without this credit being payable in cash on demand, such property would have no value in money.

In order to establish an equal division in the claims of labor and capital upon the quantity of credit, the property owner has his claim carried in half the price of twice the cost and the claim of labor is carried in a suspense account represented by the other half of the money that pays the price of twice the cost.

The owner of property has the advantage as he can merely write his claim on a bank check and compel labor to honor it for him, and have it paid in the price of goods above cost,. but labor will lose its entire claim unless a new quantity of money is kept in permanent circulation by the capital selling above cost and paying wages above the cost of living.

The double circulation of primary and secondary quantities of credit, allows room for labor to miss its credit money, for the primary must get in by the higher prices of goods which labor must buy, and the property owner can issue it, but labor has no defense when the price of land destroys the price of capital above cost from which it is repaid the extra money spent for goods in higher wages.

CHAPTER VII

SECONDARY CREDIT

There are a hundred separate reform movements in modern society seeking in vain to correct each particular brood of wrongs without understanding there is a single cause of all of them responsible for the secondary cause of any particular brand of sin.

The hope for the redemption of mankind, is based upon the removal of some primary evil, some soul-corrupting sin, that all religions struggle in vain to suppress, the removal of which will allow the natural good to restore the natural order.

The sins and inequality in modern society will be found to center upon a single failure to keep a great quantity of secondary credit money in active circulation, which would so advance wages as to remove all temptation to a corrupt life.

This failure in the circulation of secondary money is temporarily relieved by the creation of debts, impossible to pay, by which the body politic is inoculated with the fatal disease of the unemployed, and underpaid labor of the world.

Each dollar of debt has become a disease breeding germ in the social organism, which destroys the vital dollars that would increase wages and create an insatiable demand for useful labor.

Back of the disease dollars is the fundamental cause, which is ever changing the healthy circulation of money into a circulation spreading inequality and injustice in every organ and tissue of the body politic.

This fundamental cause of social misery and poverty is the sale of land, given by nature to all mankind without cost, which takes all the new wealth from labor as fast as it appears by taking the gain in money with which this wealth must be distributed.

Selling land for money earned by past labor when it is seeking to increase the wages of the present generation, makes property in land the cardinal sin of our civilization, from which no people have so far been able to escape.

The sin property in land inflicts upon mankind is like the sin of Judah, written in our laws with a pen of iron, and cut into our institutions with the point of a diamond.

It is graven on the tables of our hearts, and upon the horns of our altars.

"The earth is defiled under the inhabitants thereof, because they have transgressed the laws, changed the ordinances, broken the overlasting covenants."

Money cannot be taken from circulation by the sale of land until after wealth has accumulated, and until secondary credit appears as a saving from past labor.

Secondary credit is taken from circulation in buying land because this money is only used in distributing the wealth derived from the past, and labor may be charged with a cost for land and be denied its share in the distribution of wealth.

The circulation of secondary money is purely local, and must be derived from the value of an improvement at a particular location, and the value of this improvement will depend upon the use labor makes of the wealth it is not called upon to produce, but inherits from past labor.

Thus, for example, if a property is paying a million dollars a year income at the rate of six per cent on its value, it will sell for sixteen million dollars, and it must call upon a local circulation to supply the million dollars a year it pays in dividends, distinct from the circulation paying for goods, or building.

If the cost price of this property, and its selling price are the same, the six per cent dividends will allow sixteen years to return the money spent as cost, and will replace the old building with a new one but will provide no money to buy the new one, or pay labor for producing it.

If on, the other hand, the building cost eight million dollars and pays six per cent on twice its cost, then at the end of sixteen years the building will not only pay for its reproduction but will have provided the money to buy the new one.

The circulation of secondary credit depends upon the difference between the cost and selling price of capital, and this price above cost depends upon the particular location the capital improves.

The advantage in location, and raw material will allow capital to earn more than the rate of interest, which rate is based upon the reproduction of wealth without regard to any particular location—and as capital is thus tied to particular locations the secondary money it circulates will move in local circles around a bank.

Although buildings earn twice, and sometimes twenty times the rate of interest on their cost, the building cannot sell above cost because all the profit above the rate of interest is taken by property in land to support its capitalized value.

Land values may arise only after buildings demonstrate their ability to earn more than the rate of interest at special locations, and every boom in real estate must be accompanied by an activity in building.

When a city has grown rapidly in population and wealth, its central locations will command enormous land values, and after each location has been improved with a suitable building, the law regulating the value of land will be discovered to be a law that allows capital to sell at twice its cost, and property in land rakes off a profit belonging to capital as a price above cost.

Adjoining a building costing a half million dollars, which has a selling price of a million, may be found an old building of a former time, renting for a sum that pays ten or twenty times the interest on the cost of the small structure, the rent of which advertises the public demand for a better building at that location.

This location being in all respect equal to the one supporting a building costing half a million dollars and selling for a million, it will support a like building but the builder discovers he must pay a half million dollars for the land.

Property in land will take off all the profit in the selling price of a building before it can be built, and will destroy the opportunity to create new money of a half million dollars for a new building and for a corresponding advance in wages.

As a city increases in population and wealth the development of trade and industry will be shown by the increasing rents which the growing trade will be able to pay at the most favorable locations.

This increase in rents is falsely assumed, by land reformers to represent an increased demand for land from the crowded population, the higher rent to be a natural result of a greater need for land by a greater population.

But the fact is self evident that this rise in rents represents a demand for buildings at particular locations, and is, in no respect a demand for land, as the land reformer assumes.

Private property in land is a denial of the right of the public to the buildings it is paying rent for, a denial of profit to capital in building and selling above cost, a denial of the right of labor to have the increase in wages which the freedom of building would secure for it.

If the advance in rents was free to invite capital to build and gather this harvest of profit by increasing the number and size of new buildings, such a thing as unemployed labor could not be found anywhere in the civilized world.

If every location was improved, according to the rent it commands, and wages were advanced so as to pay the rents that should be paid for suitable buildings, all difference in location would disappear by differences in the capital required to improve each location.

If the present rents were free to create a supply of new buildings by the activity of capital seeking a greater return than the rate of interest, the selling price of buildings above cost would supply a volume of money to buy all buildings on demand and wages would be high enough to create the required demand.

If the rise in rents above the rate of interest was permitted to attract capital to building, with no cost of land, the old ramshacks in every town and city would disappear as rapidly as labor and material could be supplied to replace them with new buildings suitable to the rents the locations would command.

The continuous selling of all new buildings at twice the cost would create a continuous expansion of secondary credit money, that could not be cancelled in buying land, or by investing in debts, and a quantity of money would be supplied to buy all property, except land for its value in money on demand by increasing the wages of labor to four times the present level for common laborers.

The profit money accumulating from selling new building at twice the cost, will first supply all market demands for money to buy capital for cash and to employ labor at the highest possible wage, and all excess of profit will be invested by the distribution of wealth. Secondary money has the same foundation as cash, it is intended to remain in permanent circulation and not to be reduced, or contracted by investment, or cancelled by higher prices, but it has one important exception, it may be entirely destroyed by debts.

Secondary credit can only circulate by inflating prices of capital above cost, just as primary credit must inflate prices of goods above cost, and when the cost of land destroys the price of capital above cost no money can originate in the capital market to replace the money invested in land

and debts must supply the circulation destroyed by the price of land.

In our total of fifteen billion dollars of bank deposits payable in cash on demand there will be found no less than ten billion of what are known as dormant deposits, becoming dormant because there is no margin of profit in building.

The building industry, failing to produce new funds for investment causes an intense competition among banks for dormant deposits to supply this lack of credit by loans.

Because dormant deposits do not circulate they are eagerly sought by bankers on account of the small cash reserve they need to keep them payable in cash. Bankers pay as much as four per cent interest on such accounts and loan them again at higher rates, and thereby endanger the solvency of every bank in the country by tying up all liquid credit.

CHAPTER VIII

THE STANDARD PRICE

It has been the accepted doctrine of the market ever since the time Aristotle lived, more than two thousand years ago, that the selling price of goods was but another name for the cost price and was obtained by adding the costs of production together.

The failure in this theory will be found in not separating a monetary price from the labor cost, in not discovering that the cost of goods must include twice as much money as was paid to labor, so as to include the credit represented by past labor, and by the accumulation of inherited wealth.

The cost price theory accounts for capital money by attributing it to the savings of laborers who are expected to deny themselves the comforts of civilization, so as to furnish capital with the money it needs.

This theory of saving is a comfortable one for the rich, and it is very popular with them, according to its teaching the rich are the survival of the fittest, while the poor are poor because they are too lazy to work or too extravagant to save.

The theory that the selling price of any commodity is made up by adding its costs of production together has not a single fact to sustain it in the commercial world. There is not a single selling price that bears any definite relation to its own cost of production, but every selling price seeks to rise to the level of the market which is twice the cost of all production.

The selling price is a market price, made by the consumers, and depends upon a quantity of money in the hands of consumers twice as great as the quantity paid out to producers.

The difficulty in separating the cost from the selling price comes from the difficulty in separating the cash coming from production from the credit added by distribution, and intended to distribute the benefits from past labor without cost to the present laborers.

Consumers insist that low prices enable them to get more goods for a stated sum of money, the lower the level of prices the better they will fare.

According to this theory the only advance to be expected in wages must come from a fall in prices that will increase the purchasing power of stationary, or declining wages.

This argument for low prices would be of some force in a society composed of hunters and fishermen, but it is of no effect among a civilized people, who must spend money for other things than consumable goods, and who require a surplus in money for expenses every day after all demands for goods are supplied.

It is true, that when the price of any single article is considered by itself, a reduction in its price, from the introduction of machinery, will be of general benefit because, in this case, the lower price allows the gain to be spent for something else.

But when the general level of prices falls over the entire market there will be no gain to transfer from one price to another, and the market will have lost a quantity of money from circulation that becomes a total loss in the demand for goods.

The repeating circulation of a given quantity of money has been lost when there has been a general decline of prices covering the commodity market. The money represented by the fall in commodity prices cannot repeat its turnover in the sale of goods, and the market suffers from this loss of demand.

When a loss in demand occurs from a general decline in prices the contraction of money is called upon to do a double duty, and a counterfeit circulation is introduced for the benefit of capital, by which borrowed money buys wealth and creates debts that cannot be paid.

A standard price means a price that will supply a repeating quantity of money able to buy all the goods that labor can produce for cash on demand, and will buy all the wealth labor is constantly producing for its value in money and supply a surplus credit that will buy any part of accumulated wealth, offered for sale.

The standard price is not an arbitrary price of twice the cost for any particular commodity, but is an arbitrary standard for the price level of all labor products offered for sale in the general market.

When the assertion is made, for example, that the standard price of cotton is twice its cost, it may be said in dispute that there is no such standard, the price of cotton being determined by laws of demand and supply.

Cotton, we will be told, commands a high price when the crop has been a failure, and this price will fall in direct proportion to the increase in the supply, but the demand and supply of money gets no consideration from this theory.

If a rigid supply of money was the rule of the market, acting against a fluctuating supply of goods, in making prices, it must be admitted in such case the price would rise and fall with the supply, and a standard price would be impossible, and prices would be the most unstable phenomena in the world.

But, if the supply of money is itself governed by a standard price, and if this quantity of money will increase with the supply of goods, the price will remain stable because the money follows the price in the supply.

Every family living in a city must have a surplus in wages above the lowest sum upon which it may live, because each family must have money to pay rent, car fare, doctor, dentist, and for other purposes.

After each family has been supplied with all the goods it can afford to buy, a surplus in cash must remain, although wages are low and prices are high.

When millions of families, are each required to have a daily surplus of cash, the source of this money becomes one of the most important questions in the affairs of mankind, a question which, so far, has escaped the writers on the subject.

This surplus is expected to allow laborers to buy leisure, without having to save and deny themselves the comforts of life, to get wages that will buy all the goods they may need, and an equal surplus to buy other things.

Surplus wages must come into existance from an inflation of credit money, which is based upon the value of past labor, and is issued by capitalists, or money lenders.

This credit money based on the value of past labor has no cost in present labor and on this account it is used to increase the price of goods above cost, and is expected to permit the wages of labor to rise and secure a surplus above the cost of living.

The surplus to be paid to labor depends upon a fixed quantity of money in the credit circulation, the same as the cost of living depends upon a fixed circulation of cash, and this quantity of money in each circulation is fixed by a natural law which creates a standard price of twice the cost price.

To supply money, increasing the price of goods to twice the cost, may appear to be a wonderful way of providing a surplus in wages by charging double prices for goods, but many of the ways of nature are wonderful.

Capital takes half the goods labor produces, and takes half the labor in the market, and in doing so it sets a limit to the supply of goods the people may have and a limit to the number of laborers who may be employed to produce goods.

This limit in the supply of goods after capital has taken half of the total, allows the labor that produces all the goods to buy only one-fourth of them, and it must pay twice the cost of one-fourth its product, but if it can sell three-fourths for the same price of twice the cost, then it follows that the higher the price the more it has on account of the greater surplus it may sell than it must buy.

When this fact is taken into consideration,—that labor is expected to sell three times as much as it buys at twice the cost,—it is easy to see how wages may rise as prices rise, and how a surplus will accumulate on this account.

Capital gets credit for this surplus because it adds the past labor money to circulation by which the standard price is secured, for capitalists control the railroads, factories, towns and cities that present labor uses in the production of goods without having to produce.

When the development of capital divides labor into two equal parts, and when it takes one-half of the total commodity product in construction, it will divide this commodity product into four parts, one-fourth going to the primary laborers who produce all of it, one-fourth going to the secondary laborers who produce none of it, and two-fourths being consumed by the construction and maintenance of capital.

The laborers who produce all the commodities may only buy one-fourth of their product, and other laborers buy the other fourth not taken by capital. This demand gives the market two buyers for each producer, and two dollars acting as a demand for goods for each dollar in the cost of supply. This excess in the money creating a demand over the money paid as cost of the supply will establish a standard price in the general market of twice the cost for all the goods consumed by labor and capital.

If labor for example is paid, four dollars for a unit of its product which sells at retail for eight dollars, and may only buy one-fourth of it, the sum it spends will be two dollars from four dollars in wages, and it will have half its wages as surplus.

If wages rise, and the same unit of goods cost eight dollars, and sells for sixteen dollars, the labor buying one-fourth of sixteen will only spend four dollars from an eight dollar wage fund and have a surplus of half its wages.

If wages fall, and the same unit of goods cost two dollars, and sells for four dollars, the labor buying one-fourth will only spend one dollar from two dollars and have half its wages as surplus.

Actual wages may be shown to increase from two sources, from the increase in the supply which lowers prices while wages are stationary, and from an increase in prices when the rise in wages is in harmony with the rise in prices, and there has been no increase in the supply.

This entire process of securing a rise in wages depends upon a natural law which establishes the standard price in two markets. The price in the commodity market is used in getting the money into circulation, and the standard price in the capital market being required to get this money into the wage fund.

The law establishing a standard price in both the commodity and capital markets does so in order to divide the gift money from past labor equally between labor and capital.

Capital gets its share of gift money by circulating credit in the goods market by an increase in price above cost, when labor makes credit money equal to cash by paying twice the cost for the goods it consumes, but at this point labor loses half its wages.

The standard price in the capital market is intended to supply a quantity of credit money that cannot be cancelled by higher prices of goods but which will add as much to wages as the total sum labor receives from the goods market.

The natural law demands that for every two dollars of inflated money added to the quantity on hand, labor must cancel one dollar in buying goods at twice the cost, and thus make all the credit dollars equal to cash. The other dollar of inflated currency is expected to remain in the hands of labor as a surplus with which to buy its share of accumulated wealth.

When goods sell at the standard price, capital succeeds in getting its one dollar cancelled, and in getting the other dollar made equal to cash, but labor must wait until the money spent to create capital returns from the sale of it at twice its cost, and when capital fails to sell at its standard price labor loses its opportunity to share in the labor of the past.

The failure of capital to sell at its standard price destroys the circulation of the permanent volume of credit money which is intended to increase wages to twice the cost of living.

When labor cancels one dollar out of every two added as an inflation, all the credit dollars are thus made equal to cash and getting none of them as an increase in wages labor is thus compelled to accept counterfeit money for half its commodity product, and allow the circulation of another volume of counterfeit that buys all the wealth it produces.

The loss to labor, in capital failing to sell at its standard price, is very easy to estimate, because one dollar of cash is subtracted from every two dollars paid in wages and instead of labor getting four dollars and using one of the past labor dollars to make credit equal to cash, it gets but two dollars in cash and has but one dollar for its own benefit.

The standard price will explain the rise in wages that accompanies the rise in prices, and explain why wages are easier to pay the higher the level of prices, and explain why a greater quantity of goods is sold when prices of them are rising than when prices are falling.

The standard price will explain the comparatively high wages of organized labor as against common labor, as being an appropriation by skilled labor of the bonus, or surplus in cash, that common labor is constantly losing.

It has long been evident to students of the labor question that the wages of organized labor could not advance at the expense of capital, and it was difficult to determine just where the gain came from, other than the convenient reply that the consumer pays for every thing.

The standard price declares that every increase of one cent in cost of labor must be followed by a two cent advance in the selling price, and when the consumer refuses to take the supply at the price, capital may be made to suffer a temporary loss. But capital will repair this loss as soon as possible either by reducing the supply, or by diminishing the number of high priced laborers, and adding to the number of common laborers.

Organized labor instead of being a menace to organized capital is one of its strongest supports, by giving it a two cent increase in the selling price for an increase of one cent in the cost of labor.

At present as the wages of skilled labor rise and costs increase each advance of one cent in costs must be balanced by two cents gain in the selling price. The stationary wages of common labor compells them to suffer the most of the loss falling on the consumers, by wiping out all the money surplus they should have from the commodity market.

When, for example, wages advance one dollar for skilled labor and certain prices advance two dollars, one-fourth of two dollars may be taken from the entire body of laborers on account of the higher prices, but common labor has had no advance in wages and it finds its former surplus has been wiped out by the rise in the wages of organized labor, who can afford to pay the increase.

But there is an enormous fund from which a great surplus may be added to the wages of the under millions of workers, a fund that so far, has never been called upon to pay a dollar in wages, but which will advance the level to three or four times the present average, but such an advance cannot be obtained by reducing profits, nor can it be obtained from capital.

Wages are paid out of two distinct funds, one is a cash fund, and the other is a credit fund, and higher wages require a volume of credit to circulate as wages five times as great as the volume of cash.

The cash from which wages are now drawn cannot circulate in sufficient quantity to allow all the goods to be sold labor is able to produce, not taking capital into the account.

The increase in wages above the sum required to buy all the goods labor can produce must come from a volume of credit money that balances the selling price of capital, and this credit money can only be kept in general circulation by the annual production of capital selling at twice its cost, the same as the volume of cash is held in circulation by the production and sale of goods at twice the cost.

An illustration may make the line clear dividing the circulation of cash in the goods market from the circulation of credit in the property market.

An isolated community finds employment for all its labor by sending half the goods produced to other markets to exchange for goods they cannot make, but only half the total labor is engaged in making commodities, and building material. The other half is working at building, selling, transporting, and other secondary occupations.

The minimum wages for this community, if work is to be had, must pay out enough money to buy all the goods the people consume, and all that labor can produce, but as only half the total labor makes all the goods, the other half cannot get any part of them unless the price rises above cost so as to include the wages of all the labor buying goods.

Suppose a single merchant controls all the retail trade and half the selling price is a merchant's profit. If so the merchant must spend this profit by employing half the labor so as to have buyers for all his goods, in which case the goods sell at twice the cost and allow all the labor to be employed at a minimum wage, and give a market for the commodity product.

The merchant must build to employ the surplus labor, and use the surplus material, and if the building burns at the end of each year and is rebuilt the next year, all the labor may be continuously employed, and all goods may be sold at twice the cost.

Burning up capital as rapidly as it is produced will prevent the growth of a capitalist class, and labor may be fully employed in restoring it, the market for goods suffering no loss, but the illustration only goes to prove the folly and waste of the present system that finds it more difficult to employ its labor after wealth accumulates than if it was being destroyed by fire.

The standard price is a standard operating upon total prices by doubling the volume of money paid out to labor as cost, and each price is free to gather as much of this money from the general circulation as it may attract by demand.

It is true, for example, that a great crop of cotton would have a lower price than a scant crop, but the difference arises from the supply of money put into circulation, as cost of cotton which doubles, and more money per bale of cotton gets into circulation as cost when the crop is a partial failure than when the number of bales per acre have been increased by a bountiful crop.

In the years when the price of cotton is high the cultivation of it will be stimulated, and the acreage extended. The profit from the high price will furnish liberal supplies of money to employ labor in building and other occupations in the cotton territory.

There is no reason for any but a nominal decline in price when a great crop is produced if the money put in circulation by the sales of the former crop is available to buy the succeeding one.

The natural law that doubles the cost price in the selling price secures quick action in regulating the supply of money to the standard, and is like the law regulating the waves above sea level. When costs rise one cent, the selling price must gain two cents, thus giving a double pull of the standard to secure a return to the prescribed level of the market, the same as the wave rises half above and half below the true level and the pull of the water to restore the level is much greater on this account. The same is true of the pull of all prices upon the price rising above the standard of twice the cost.

The highest efficiency in the use of machinery is secured by the standard price because it allows an increase of two cents in selling price as a gain for each cent of lower cost and will promote the widest introduction of machinery to secure this additional profit.

The standard price is governed by the labor cost of the product of all labor. The standard is secured by doubling the money paid in wages of every description, giving to each laborer a share in a vast co-operative product.

But as there is a vast accumulation of wealth inherited from the past, and as the standard price doubles the cost of all labor it must communicate this increase to the labor of the past and double the selling price of all wealth, greatly to the advantage of its owners.

This brings up the very important question of how this body of wealth may be held to this standard of twice its cost, without an enormous loss to labor, who must redeem the money in present goods.

The price of wealth above cost will create a secondary profit in this market, and this profit will be limited to the wealth labor is producing each year, and capital cannot collect any faster from labor than it sells the present product, and is limited by the volume of money that labor can circulate as wages buying its own annual production.

The secondary profit obtained from selling capital above cost, is independent from the profit received from the sale of goods, and for that reason is not cancelled by higher prices but remains until it accumulates a quantity of money to buy all capital at twice its cost, and labor is expected to get the benefit of this great quantity of money from the capital market.

The quantity of secondary credit money that will accumulate in banks from the sale of capital at twice its cost will be governed by the rate of interest, which will determine how many hundred dollars of units capital may sell by the number of units of interest dollars collected from the selling price of goods.

The accumulation of secondary credit that cannot be cancelled by high prices of goods will call new credit in circulation all the time, a continual inflation that cannot affect prices of goods.

This continuous inflation will first supply all demands for money from property or labor, and then the surplus will create funds for investment by which wealth is, and will be distributed.

The ability of all property, except land, to sell for its value in money on demand, will depend upon this permanent supply of secondary credit paying wages above the cost of living with which the annual production of wealth may be sold at twice its cost as goods are bought and sold.

Chapter IX

THE RATE OF INTEREST AND PROFIT

In the early history of a rapidly growing city, like Chicago, a merchant will find a location where the rapid growth in population and wealth will call for an enormous consumption of goods the few business houses must supply, allowing him to collect a very high rate of profit on the small capital invested.

Thus, for example, gross sales of one hundred thousand dollars a year will return a net profit of fifty thousand dollars, which the merchant will credit to a stock of goods costing thirty thousand dollars, and a building having cost twenty, allowing him a profit of fifty thousand dollars on an investment of fifty thousand, or one hundred per cent.

The owner will then begin to calculate the wonderful possibilities of cent, per cent profit, and his estimate will prove to him that if he continues to invest all his gains at cent per cent he will become the richest man in the world in less than twenty years.

This dream of a boundless empire of money leads him to rapidly increase the capital in his business, but with the gain in capital and expenses he soon discovers that something was radically wrong with his calculation of the rate of profit.

As soon as the merchant increases his stock of goods the more valuable merchandise will call for a more valuable and fire proof building, and he borrows money fearlessly, for he reasons what is ten or twelve per cent interest on money to a man who will make a hundred per cent in his business?

With the expansion in his business and its expenses he soon becomes painfully aware of the natural law reducing the rate of profit as the quantity of invested capital grows, a law protecting the world from cent per cent profits that would, in a few years, concentrate all wealth to the owners of a small quantity of money.

The natural law will demonstrate to the Chicago merchant that the fifty thousand dollars a year he is receiving in profit is all the profit he can collect at the location he occupies.

The increase in his investment from fifty to five hundred thousand dollars will be followed by a decline in the rate of profit from one hundred to ten per cent. Fifty thousand dollars in profit will continue to be all the profit his location will allow him to collect from the stream of goods.

Suppose the merchant had been content with his small stock and mean building, would the profit have remained at fifty thousand dollars a year? It would not. His trade would have been taken from him by the greater stocks carried on similar locations, his location would have declined from the loss in trade, and the general fall in the rate would have reduced his rate to the same level.

What is the natural law governing the investment of money in all lines of business, and for all capital by the simple determination of a rate of interest and profit?

The law is one that regulates the quantity of secondary money by the rate of interest, allowing the quantity to increase as the rate declines, and keeps each unit of one hundred dollars of money invested equal to each unit taken as interest as the rate declines. If the rate of interest, for example, was twenty-five per cent, the secondary quantity will be inflated so as to divide the entire collections of interest taken from one volume of cash into four volumes to cover the introductions of three volumes of secondary money to one of cash.

As the rate declines from twenty-five to twelve per cent it will do so to cover an additional volume of credit which is paid by the interest money collected from cash. The money paying interest and profit is primary credit, which was combined with cash in the price of goods above cost, and limits the quantity of profits to one volume of credit equal to one volume of cash.

The money taken from the price of goods as profit was money paid to labor for building and other secondary services, and as this credit money is paid in wages it becomes a part of the cash circulation, and is separated from it as profits, rent, and interest.

When the claim is made that one-half the retail price of goods may be taken in profit, the meaning to be conveyed is that employers and merchants will retain twice their pay roll from the selling price of goods, that profits and payrolls balance, giving one dollar in profit for one dollar in wages.

Take railway transportation, as an illustration; railway labor must be paid by its cost being added to the selling price of goods and all other railway expenses and railway dividends must also be added.

But a railway may be so poorly located and managed that it cannot collect the cost of its service from its charges for transportation, and what law, therefore, determines how much money a railway may collect in charges for its services?

The answer is, the law limits charges to twice the pay roll.

The money paid to labor is the only money on which charges may be based, because it furnishes the only sum from which they may be collected, and although trades may be made by selling one property to buy another such trades are like trading jackknives and do not effect the quantity of money in distribution.

There is a buffer provided to receive the inequalities in prices from the market. This buffer is the wages of common labor, because common labor is last to be paid from the distribution of money after the sale of goods in the retail market.

The rule regulating the charges and profits of a railway does not differ in any essential from the rule illustrated by the merchant in Chicago.

Before the merchant could secure a profit he had to have a favorable location for his stock of goods, where the required volume of business could be obtained, at prices determined for him by the consumers.

A railway system cannot secure a profitable business unless it first secures a favorable location, and then its business will be governed by the standard price in the commodity market the same as the business of the merchant.

A railway system must adjust its charges for transportation to its territory, so as to develop the greatest volume of business, and this will be discovered to be the volume that will give it the greatest aggregate profit, and it will reach the highest point of efficiency when its gross receipts divide into two equal parts one half pay roll account and the other half profit account.

The production of capital does not differ in any essential from the production of goods. The inducement to build and create more capital is the same as the inducement to create greater supplies of commodities, namely, the profit derived from the sale of capital at prices above cost.

If the same relation between the cost and selling price of capital is maintained for each one hundred dollars of it, when the rate of profit is fifty per cent as when the rate is ten per cent, then there will be the same inducement to increase the quantity of it at the lower rate as at the higher.

The stability in the value of capital must be based upon a standard of value for labor that does not change as the rate of profit changes, and for that reason profit money comes from an inflation that does not take increasing sums of cash to pay dividends on greater accumulations of wealth, while it is providing greater quantities of credit money to buy the wealth.

The rate of interest and profit is not expected to influence the rate of wages except as it increases the demand for labor by the increase in new building, and by supplying more money for the building market.

The quantity of cash in circulation which sets a limit to the gross sum that may be collected in profit, determines the rate of profit by the quantity of capital over which the gross cash profit must spread its dividends, and interest.

Thus, for example, when the rate of profit is fifty per cent in a new country, this rate means that a quantity of primary credit equal to two volumes of cash is in circulation over which one quantity of profit equal to one volume of cash must be spread.

When the rate falls from fifty to twenty-five per cent it means that four volumes of credit must divide a profit equal to but one volume of cash. As the quantity of wealth accumulates it gets its dividends and interest by spreading a fixed quantity of profit in thinner layers by a decline in the rate.

Before capital develops, the market for consumable goods is the only market commanding profits, and as goods sell for twice the cost half the money will be used in paying profits at a rate of one hundred per cent before credit money appears in circulation.

But as capital grows into an accumulation of wealth, and as banking is introduced, the profit collected from the sale of goods continues to be the only profit money upon which dividends and interest are based, and new volumes of money must be added to the circulation to buy the accumulated wealth and these new volumes of credit collect interest by the simple process of dividing a fixed sum of profit by the number of volumes of credit added to the single volume of cash.

The interest rate of banks, for example, is made by collecting a very high rate of profit on a very small quantity of cash, and by dividing this high rate over four or five times as much credit.

Banks are able to reduce the rate of interest because they loan a cash dollar over and over again, and by collecting thirty per cent in profits from cash are able to divide it into five, six per cent rates of interest on the "no cost" credit money.

Business is held between very narrow lines when no money is to be had, but the cash required in the retail market, and when no capital is in existence, there is no place for credit to enter and be sustained by the value of wealth. The high rate of interest on the cash volume when it circulates alone, will confine development to the few locations where retail trade will pay the rates demanded, and private property in land will give the land owners the first control over the expansion of credit money, and loans upon real estate security will be the favored loans in a new country.

But when the few most favorable locations have been taken, the only outlet for the investment of profit must be found in using poorer locations and do so by a decline in the rate of profit.

The area of new locations will be greatly extended and improved as the rate declines, and many new locations will call for great increases of capital for building, and the decline in the rate not only extends the area of profitable building but it also expands the credit currency to meet these new demands.

The decline in the rate is expected to provide the expansion of credit money to buy the new capital created by the new margin of profitable cultivation, but otherwise it is not expected to exert any influence on the cash circulation, because the decline in the rate takes the same amount of cash in interest or dividends for each one hundred dollars of capital.

The difference between a low and a high rate of profit is not a difference in the earnings of capital, as we are told, but is a question of a greater range in distributing the increasing wealth to a wider circle of new owners, on account of the increase in the quantity of secondary money the lower rate makes possible.

The decline in the rate of profit has a two-fold effect, its first effect is to bring new lands into profitable use that were out of the margin of profitable production when the rate was higher.

The second effect is to increase the capital that may be spent on better improvements on the best locations, and allow the first cheap improvements to be superseded by more costly ones because the lower rate will support a higher capital value.

Not only may the capital for the good locations be doubled when the rate of profit is cut in half but the number of profitable locations is multiplied by the lower rate extending the radius of the circle of profitable production, which allows the area to grow with astonishing rapidity.

In the early development of a new country, the rate of profit will be fifty per cent, and the rate of interest half the rate of profit, and this high rate of interest will confine the capital to be invested in any improvement to the one story wooden structures so notable in new towns.

When the rate of profit declines the best locations retain the advantage in collecting the high rate on the small investment, and as the rate declines the quantity of capital devoted to better improvements on the best locations will increase—and will allow the first one story wooden town to change into two and three story buildings of brick, and later to be again superseded by the modern city of steel and concrete as the rate continues to fall.

The opening of all lands to cultivation is brought about when the decline in the rate reaches its minimum, which is determined by wealth reaching the limit in quantity, and taking up all surplus labor, at which time the rate will be determined by the time taken to reproduce the wealth at the rate of wages being paid.

When all lands are within the profitable margin of cultivation on account of the decline in the rate, the rate of wages should be high enough to secure the perpetual change in building by creating better buildings for the mass of mankind, and thus to make building as active as the production of commodities.

CHAPTER X

DEBT AND THE STRINGENCY OF CREDIT

The subject about which the great men of the world have most to say and about which they have the least information is the subject of greatest interest to mankind, the supply of money.

When the demand for money makes a stringency most acute it creates what is called a panic in the money market, and the effect is only to be compared to a great fire spreading over the whole country destroying the property of the middle classes.

While the fire is in progress the people are frantic in their haste to save what may be saved, and on account of the general excitement as much is lost and wasted as would otherwise have been saved.

When the fire has become a smoking ruin, and when millions contemplate their losses, they inquire of each other how the fire started and gained such headway before it was checked, and then they observe that certain members of the community have been able to profit from the general loss.

The people first suspect, and finally accuse the men who profit from their loss, of having been the cause of it, of having set the fire that was so disastrous to the entire country.

The Wall Street Banks, and banks everywhere, are not only under suspicion at this time, but circumstantial evidence points at that particular spot with damnable proof of motive and profit.

Bankers of Wall Street, and bankers everywhere, are horrified at the accusation, and demand proof before they are to be accused and held responsible for a condition they claim to have been first in putting under control.

The people reply, however, that the help of the bankers was like the help of the avaricious Crassus in Rome who kept a private fire company to protect his own property because there was no public fire department.

They say, when a fire started Crassus was first on the ground with his slaves to watch the ruin in its progress, to buy the endangered property, and set his slaves to fight the fire when the property became his own.

It is related of Crassus that he never built a house, although he owned thousands of them, and owned thousands of slaves that were architects and builders, because his fire fighting system gave him houses much cheaper than he could build them.

Was it not to the interest of Crassus, the people ask, to have his slaves start fires when the master had money to invest in Rome? Had not Crassus risen from being a poor man to become the richest man in the world, to own almost the entire city of Rome, by saving it from the fires he was accused of bringing about?

Did not Crassus also acquire vast domains in lands, in mines and in other property as a result of his Roman system of saving property from destruction?

Were the suspicions of the Roman citizens unjust when they charged the slaves of Crassus with setting the fires that made their master the wealthiest man in the world?

If this Roman suspicion is thought to be unjust because Crassus was a rich man who should not be lightly accused of crime, it had much evidence to sustain it, less evidence than has hanged many a man accused of lighter crimes.

The modern suspicion against the bankers who are accused of getting profits when the country is suffering from a stringency of money and from a consequent panic, has other damning evidence that was lacking in the case of Crassus.

The bankers who keep a panic extinguishing system on hand are to be found in every money crisis trying to buy the endangered property, and to save it after it has become their own, eager to stop the spread of the conflagration to their own territory.

After the panic fire the bankers are to be found in every legislative assembly seeking to prevent any competition with their private panic extinguishing monopoly, and to resist all efforts on the part of the people to secure a public system to save the property of the middle classes.

They not only oppose public insurance against loss, but they demand greater privileges for their private system, and want more money placed in their hands so as to save more property for themselves in saving it during a panic, and they threaten the people with disaster in the next panic if their demands are refused.

A man with cash at his disposal finds favorable opportunities to buy property at less than its value, because all the multiplied demands for money will finally become demands for cash, and at times cash cannot be obtained except at a great sacrifice in the value of property.

When a man must have money, he discovers the market for his property has been mysteriously undermined, and his business threatens to fall in ruins unless he can save the situation by getting a supply of cash immediately.

The volume of cash is absolutely limited by the selling price of goods in the retail market, and no scheme of finance has ever been able to increase this limit because it was never intended to use cash for any other purpose than to buy goods at retail.

Although all payments call for payment in cash they do so to keep the volume of wealth in the property market to the standard of value established by competition in the commodity market.

When the credit currency of the country fails in performing its proper functions in doing the wholesale buying in the commodity market and all the buying in the capital market, cash is called upon to do a double duty.

A stringency in credit is a failure in the circulation of bank deposits to do all the buying except the retail buying in the goods market. At no time in the history of the world has credit ever been permitted to circulate in the required quantity to do the business of the world.

When a property owner needs to build, he is compelled to use credit, and when he borrows money it is credit he must be satisfied with.

All the governments of the world have attempted to relieve the stringency in credit by an expansion in cash, and have always failed. The stringency grows more acute as the cash is being inflated and is like adding fuel to a fire that consumes cash by an increase in new debts as fast as cash can be added to the supply.

Every inflation of cash in attempting to relieve a stringency of credit is taken up and consumed by new debts that can never be paid, and for that reason debts gain on the quantity of money faster than cash can be added to relieve the situation.

The theory of a government money supply seems to call for a system that will make it easy for the property owner to borrow and to expect when borrowing has been made easy that debts will also be as easy to pay.

Here is where the system fails; there is a law of economics that holds the entire quantity of money to the sum that may be used by a cash market, and this law compels the circulation of money to repudiate debts by refusing the cash that may pay them.

The stringency of money is always the result of demands upon money to pay debts, and to pay interest upon them, demands repudiated by the laws that govern the circulation of money and refuse money for any and all debt purposes.

We are ever seeking a debt-creating currency when the laws of nature decree we may only be successful when we confine all business to a cash basis and make all business conform to cash values.

The currency system of a country is a natural system of keeping accounts between all the people and all the wealth. The quantity of money carries all the claims upon wealth until such claims are paid by distribution of goods or wealth without debts.

To discuss the currency question is to talk about millions of dollars, and the mind cannot conceive of units of millions, hence the trouble in explaining to the reader what we mean by quantities that mount to billions of dollars.

But we approach the subject by inquiring about debt, does the reader know what debt means? It seems a simple matter yet the true explanation of debt has never been given.

What does the reader understand, for example, by debts that are not his own, but are more important to him than the cost of living because they may create a panic from which the country recovers with difficulty, after billions of dollars worth of property has been lost to the middle classes.

To know the meaning of debt, is to know whether or not the world may do all its business on a cash basis, is to know that no more money will be permittted to circulate than a cash business will use; to know that any attempt to supply money by creating debts must defeat itself, because the money the debt introduces goes out of circulation as fast as the debt comes in.

Debts arise in the property market, and we get along without an accumulation of them in the retail commodity market, then why do we suffer them in the five-fold greater market for wealth.

We do a cash business in the goods market because we keep a quantity of cash on hand that will always exchange for the store of goods on hand, the cash buying all the goods, and the store of goods returning all the cash; the money spent by the consumer each day releases the money to pay the producer on the following day, to replenish the store of goods.

The quantity of money on hand is an automatic process of keeping books, between the laborers who work and the products they send to market; all the claims are expected to be carried by the quantity of money until they are settled by the distribution of goods and of wealth, to be settled in a cash market leaving no remainder to be carried as a debt.

The quantity of cash in the commodity market cannot be contracted by debt and it establishes the foundation for the quantity of credit which a cash capital market will demand, and any failure in the quantity of credit means a failure to settle the accounts due to labor in wages, and they are carried as a debt charged to labor of the future.

In the commodity market the rapid consumption and production of goods allows a small quantity of cash to be used over and over again, on account of its rapid circulation.

The quantity of cash turns over once in sixty days, or six times a year, and the annual sales of goods are therefore limited to six times the cash in circulation, or if cash is three billion the annual business will be six times three or eighteen billion dollars a year.

The annual business in the capital market must equal the business in the goods market if the profits taken from goods are to be returned by the price of capital above cost, and it becomes a very simple matter to estimate the quantity of credit a cash market for capital demands in active circulation.

Capital is not produced or consumed as rapidly as goods, and for this reason, the turn over in credit is given longer time, and this extension in time must be balanced by a corresponding increase in the quantity, and credit is thus fixed at six times the quantity of cash, except that the volume of cash counts once in the quantity of credit, making it five times the cash.

This credit currency is being continually contracted by investment in land, and cannot be replaced by capital selling at a profit of twice its cost, and for this reason the money market suffers from a continual stringency in credit.

This five time greater quantity of credit than cash calls for fifteen billion dollars of bank deposits to be in active circulation performing the functions of cash in the labor and capital markets, and twenty-five thousand banks over the country are supposed to supply this demand.

That banks may be able to meet this enormous demand for credit they are permitted to contract the quantity of cash in circulation to half its required volume so as to make the ten time greater volume of credit payable in cash, so it may do the work of cash.

When we fail to circulate our bank deposits as cash, and fail to use them to furnish a cash market for all property except land, we not only suffer a loss of the credit we fail to use, but we lose the circulation of half the quantity of cash.

The quantity of cash is determined by our needs for goods that cannot be postponed, and we cannot diminish this cash quantity by investing it; the quantity remains fixed, and prices fluctuate to meet changes in the market.

The quantity of credit, on the other hand, is not subject to the insistant demands of consumption in order to live, and as a result our needs for money in the capital market may be postponed, and the quantity may be contracted by investment.

The failure in the continual replacement of bank deposits, by the sale of capital at twice its cost, throws the burden of supplying capital upon banks when demands from new capital are not equalized by new profits from the sales of capital.

Contracting the supply of credit by investment, and failing to increase the supply from the sale of capital at its standard price, creates a continual stringency that keeps credit at its lowest possible limit.

The burden of supplying capital with currency and with credit must be lifted from the banks where it is now being carried and placed upon corporation treasuries where it properly belongs, and when this is done, the value of land will change into a price of capital above cost because land cannot supply the market with the money its own price demands.

Every security of capital, has, or should have a money value. A bond or mortgage for a thousand dollars is supposed to be worth a thousand dollars in actual money, and the only relief the money market requires is one that will make the supposed value of securities their actual value in money.

Securities of capital may be given an actual value in money by making them payable in money on demand and do so by setting aside the required bank reserves for this purpose, the same as banks make deposits have an actual cash value by setting aside the required cash reserve.

It may seem a great hardship, at this late day, to make securities and debts of more than a hundred billion dollars in value support their value by creating deposit reserves for that purpose, but it may prove a blessing in disguise.

The plan to abolish the stringency of credit by abolishing debt—by changing debts into liquid credits, is not an untried plan or visionary scheme but is now in successful operation for more than forty-five billion dollars worth of securities in this country.

We have more than fifteen billion dollars in bank deposits payable in cash on demand because a reserve of one dollar in ten is provided for this purpose, and is rarely called upon.

We have more than thirty billion dollars of life insurance kept at a uniform standard of value, and made payable on death demands by keeping the required reserves for that purpose, and it is much more important that capital securities be given an equal standard of cash value.

Our laws favor corporations at the expense of the banking and currency system, by permitting them to take deposits from banks as investments, and to change bank accounts that were payable in cash on demand, into securities carrying no obligation to return the investment.

The failure of corporation securities to sell for a standard price on demand makes it impossible for banks to circulate credit by having old loans paid and allow the credit to be used by a new borrower. The old loans cannot be paid because the security has no market from which it may secure money, no other money is available except the money carried by banks to protect deposits.

The stringency in credit is not the result of any failure on the part of nature in supplying a natural quantity of money suitable to all the demands upon it, but the stringency results from a contraction of credits by debts, and a failure to pay debts because we do not sell the capital we produce at twice its cost.

The failure to keep up the supply of new credit to buy new wealth, makes the building of all new structures, and the replacement of all existing capital soon reach the debt limit and then depend upon accidental inflations of cash, coming from new gold being added to the coinage, and new national bank notes.

This inflation of new money, and the activity in business and in new construction based wholly upon it, is well illustrated by currency statistics for the years from 1893 until 1913.

The years from 1893 until 1896, were years of stationary money supply, when the limit set by debt held the country in a death like grip that prevented all advance in business or wealth.

This period of stationary supply in the fundamental cash made its influence felt by stationary wealth, by millions of laborers unable to find work and by constantly falling prices, until the lowest price level in our history was reached in 1896.

In 1891, for example, the volume of cash was slightly contracted, in 1893, it was again contracted fourteen million dollars, which produced the panic of that year; in 1894 it was slightly expanded, in 1895 another slight expansion followed, and in 1896 it was again contracted.

This failure in the quantity of money to keep pace with the increase in production and wealth made its influence felt by prices declining, because the new lands under cultivation did not get the supply of money to keep prices profitable as the quantity of goods increased.

Following the year 1896 there was an almost continual expansion, and to understand the effect of an expansion in the primary cash, or the effect of a contraction, it is necessary to remember that every dollar of new cash is followed by ten dollars of new credit money, and for this reason the expansion has had a wonderful effect upon the business of this country.

The following table will give the reader a clear view of the increase in new money and credit, from 1896 until 1913.

YEAR	CASH EXPANSION	CREDIT EXPANSION
1897	$136,000,000	$1,360,000,000
1898	196,000,000	1,960,000,000
1899	67,000,000	670,000,000
1900	118,000,000	1,180,000,000
1901	120,000,000	1,200,000,000
1902	74,000,000	740,000,000
1903	118,000,000	1,180,000,000
1904	150,000,000	1,150,000,000
1905	68,000,000	680,000,000
1906	148,000,000	1,480,000,000
1907	37,000,000	370,000,000
1908	265,000,000	2,650,000,000
1909	68,000,000	680,000,000
1910	4,000,000*	40,000,000†
1911	212,000,000	2,120,000,000
1912	70,000,000	700,000,000
Grand total	1,800,000,000	18,000,000,000

*Minus †Contraction.

As a rule, tables of statistics are not good reading, but in this case an exception is being offered, and a table is presented that contains a history more interesting and more important than the history of any empire.

The history of more than fifteen thousand new banks is contained in this record of expansion not a dozen of which could have come into existence without it, and together with the history of fifteen thousand new banks, is the history of nine thousand million dollars in new deposits upon which the banks now live, and the history of nine thousand million dollars of credit invested in new wealth.

To understand just what this table of cash expansion means to our country, the reader must realize, that we have had nothing but this expansion to depend upon for the progress we made during these years, that debts had entirely tied up all the money to the existing property, and as debts could not be paid there was no money to be had to pay for new development of any kind.

In 1897 the total cash was eighteen hundred million dollars, and this cash was most effectually tied up by bank loans, and without new additions of primary money added to the circulation this country would have discovered its wealth and employment remaining stationary at the eighteen hundred million dollar cash level.

Had this 1897 quantity of money remained stationary, it could not have assisted in the development that followed, and new production, with a stationary cash supply, must have resulted in lower prices or in the failure of labor to be employed.

When we consider the price level of 1897, we discover that the short money supply had already established prices as low as production and wages would admit, the index number being 100, the lowest in the history of the country, as against an index figure of nearly 160 for 1912.

Had there been no expansion of the cash, after 1897, or the little expansion of the six years before, could not have increased the total wealth, because profits taken from prices were at the lowest possible level, and all wages, incomes and rents were at the points where no more income for new wealth could be paid.

Had there been no accidental expansion after 1897, the millions out of work in 1896 would have been increased every year, and the distress would have grown greater each year with the inevitable revolution between capital and labor.

This expansion has given us a breathing spell and has but postponed the inevitable struggle with the evils of our currency and land system. The problem has only become more acute by being postponed, and the gravity of it has grown with the increase in wealth based upon inflated money, and with the expanded prices of wealth and of consumable goods.

In fourteen years, from 1896 to 1912 the volume of primary money was increased eighteen hundred million dollars, and bank deposits gained five times this sum or nine billion dollars, the new credit invested on account of expansion was equal to the gain in bank deposits, and nine billion dollars was invested as new capital.

The retail business of the country was increased by nine billion dollars a year, and the total wealth gained by the profit taken from the increase in business.

In 1897 the total wealth was less than sixty billion dollars and it increased to more than a hundred and twenty billion in 1912.

Consider what these statistics mean, that every dollar gained by the purse proud captains of high finance, by thousands of merchants and by thousands of self-advertised self-made rich men, was but the accidental sport of an accidental inflation of the currency, and without it we would now be under a different form of government.

If the reader doubts these statements, the doubt concerns the power of an expansion of cash to control the growth of wealth.

Notice the panic year of 1903, which occurred after six years of expansion added six hundred and seventy million in cash and ten times as much new credit.

The failure, in a single year, 1903, to keep up the inflation—at the same rate—caused a violent decline in prices of all securities and a loss in all markets.

During the following three years the rate in expanding cash was again resumed, and the increase in business and wealth followed, but another panic occurred in 1907 more disastrous than the one in 1903, and why?

The rate of expansion following the panic of 1903 was one hundred and thirty-three million dollars a year, and this rate was changed only to an average of one hundred and eight, for the years 1905–06, but dropped suddenly to thirty-seven million dollars for the year 1907, and but for the enormous gain of two hundred and sixty-five million in 1908, the loss from the 1907 panic would have been greatly extended.

In 1909 and 1910 the rate of expansion again declined to a panic point, sixty-four million dollars being the addition for the two years, but the surplus from an expansion of two hundred and sixty-five million in 1908, and the jump in 1911 to two hundred and twelve million allowed the business world to escape a most serious panic in 1911.

What is the answer to this table of statistics? If the country can inflate its currency by an average of a hundred and fifty million dollars a year, why not adopt a policy of that kind, and settle the currency question?

It is doubtful if this country contains any considerable number of people who do not instinctively realize that such an inflation policy would be committing commercial suicide, and force upon this country the worst revolution between capital and labor in the history of the world.

It is self evident, this country cannot permit all its wealth to concentrate to a diminishing number of its people year by year, and then accelerate this concentration by a process of expanding the cash, and adding an expansion of ten dollars of bonus money for each dollar of cash for the benefit of the wealthy classes.

When our system of private property in land destroys the regular circulation of credit money upon which the regular distribution of wealth depends, we cannot go on indefinitely adding new cash so to allow labor to work merely to add to the accumulations of the rich, and add to the burdens of labor by the constant rise in prices of the goods it consumes.

This expansion of cash is stretching the skin of the body politic, making it dropsical while it is adding water to its vital flow of blood from the rise in prices not balanced by a corresponding gain in wages and wealth.

The inflation of cash seeking to replace the evils of property in land which destroy credit circulation, only add to the burden of each new dollar instead of lightening the burden as it was expected to do.

In the year 1897, for example, the total cash in use was eighteen hundred million dollars, and seven hundred million of this sum was held in bank reserves, leaving eleven hundred millions to carry the burdens of cash.

In 1897 the annual retail business, depending on this quantity of cash was, about nine billion dollars, and each cash dollar had to buy eight dollars worth of goods at low prices.

The annual increase in profits, at that time may be estimated as one fourth of the annual sales, and each dollar in cash had two dollars of interest and dividends to pay.

In 1897 the total wealth was in round numbers sixty billion dollars, and the total debt may be safely estimated at half the total wealth or thirty billion, and each dollar in cash was burdened with no less than twenty-five dollars of debt. It was for this reason that an expansion in cash gave us an increase in business until the new cash acquired its own burdens of new debts from new wealth.

In 1912, the cash had been increased to thirty-four hundred million and fifteen hundred million of this sum was held as bank reserves, leaving nineteen hundred million outstanding, but the increase in commodity prices on account of this inflation of cash changed the index figure of 100, for 1897, to an index of 150, for 1912.

This increase in commodity prices discounted much of the gain in cash, and made the nineteen hundred million only as effective in the retail market as thirteen hundred at the lower range of prices of 1897, and thus the effective gain in cash was two hundred million dollars from a cash expansion of eighteen hundred million.

Retail business increased from nine to about twenty billion dollars a year, and each dollar was loaded with ten dollars in buying goods, as against eight dollars in 1897, the dividends cash had to distribute were three dollars for each dollar in 1912, as against two dollars in 1897, and the load of debt had increased from twenty-five dollars for each dollar of cash to thirty dollars.

Thus, the load upon cash increasing with its expansion, points to the disastrous end of a remedy so artificial as expanding cash to escape the evils of property in land; new expansions of cash may only increase prices without increasing business, and then the lower wages and heavier burdens will force our people to solve the problems that now threaten their civilized existence.

Chapter XI

THE CASH MARKET

However complicated the problems of poverty may appear to be because a small class of enormously rich men are in possession of all productive wealth, yet, if justice is desired without regard to the possessions of the rich, the puzzle that now seems impossible may become remarkably simple.

The abject fear at the door of every evil condition is the fear that some owner of wealth will be disturbed in the security of his possessions, and attempts to relieve the poor of some of their burdens will not be considered unless some guaranty is given that this security of possession will not be disturbed.

Ruskin said the cruelest man alive must be blind to sit at his own feast. Suppose the evils of our civilization become so acute as to become unbearable, and the rich were to efface themselves when the public welfare was being considered would not the problems that now paralyze the strong arm of justice become ridiculously simple in their solution?

Inquire diligently into the problem of possession, and you will discover how little it has to do with the real distress of this world, you will discover that private property has become a dreadful superstition that holds the world in slavery.

The so-called sacred rights of private property, will be found to have no sacredness. The right of possession is not a private but is a public right, and the fear of disturbing the right of private property is born of the fear of ignorance and credulity.

The ownership of slaves is a case in point from which a moral may be drawn. Such ownership led to the superstitious belief that slavery was the natural and necessary condition of the laboring population, to the belief that slavery was only held in check by allowing some of the people to own other people, that if this ownership of slaves was abolished slavery would spread everywhere, and the master and his family must become slaves.

But contrary to this belief, slavery was not found to be the natural condition of the laboring classes, it did not spread to the families of the masters when the ownership of men was abolished. It will also be discovered that poverty, insanity, vice and and crime are not natural to mankind, as the defenders of inequality would have the world believe, but we endure and suffer them to support our faith in the ownership of private property.

We cling to our superstitious fear concerning property for the same reason the slave owners defended salvery, the fear that if this institution is ever invaded the class whom private property seems now to protect from poverty and crime will also be engulfed by the increase in the evils we seek to abolish, and the mass of mankind will have gained no relief.

What does private ownership imply that it should stand at the door of opportunity, and prevent the examination of any of its claims to be the guardian of civilization?

Should the mere fact that one man is owner, prevent all the people from obtaining the benefits of property that has long since ceased to be private?

Need a man own a theater to enjoy a play? Own a palace when he may secure greater luxury in a modern hotel. Must a man buy works of art at fabulous prices to enjoy the inspirations of art? Must a man possess a yacht, an automobile, and a private railroad car? Cannot one enjoy the beauties of nature without owning a vast estate of gardens and parks?

Need a man own a department store to gratify his appetites, and own a railway system to minister to his ambition?

Shall all questions of the public welfare be made subordinate to the ambitions of a few men to own all the wealth in existence? Dare no man discuss a question of public importance unless he first admits that the private ownership of property is too sacred an institution to be questioned, and no change in it is desirable or possible?

We need not own any part of this world to enjoy its every blessing. We have the bounty of nature at every door, the delight and advantage of literature, and art in public galleries, palaces in great hotels for the multitude; any one may buy an infinitesimal part of a theater for two hours to enjoy the best that art and genius may offer.

That man is happiest and most contented who finds an infinite variety in his enjoyment of life, and the private ownership of property is the first greedy blot on the fair page of universal welfare.

Although we need not own any part of the world to enjoy its every blessing, we must be supplied with a sum of money every day to secure our share in its infinite variety of delights. The supply of spending money is what counts, not the private ownership of property, and a man may spend all he earns and keep on spending, get all this life affords and never own a rod of soil or a roof over his head.

Men do not suffer because they fail in ownership, but because they fail in securing the small sum by which they may buy their share in all the material pleasures of our wonderful civilzation.

The man of greatest liberty,—who is removed the greatest distance from slavery—is the man of common sense, of broad learning and a liberal mind, who earns the money he spends at congenial employment, the money that gives him the key to the treasuries of the civilized world.

In every prophecy and forecast of the millenium, from the time of Plato until today, one fact is past dispute, the only plan which will succeed is the one which will furnish the mass of mankind with the daily enjoyment of all the blessing their labor supplies.

Any plan that fails to distribute the required sums of spending money to millions of mankind will fail to do justice to the mass in direct ratio as it fails in supplying people with the money they earn, and the money society inherits for their benefit.

There is an utmost sum that may be distributed to the millions of laborers, it is a sum which must be collected daily as they spend it; the more they spend in obedience to the laws of nature the more they will receive to continue the spending.

Property is not able to provide a penny of this spending money, property cannot be converted into the daily supplies of money the people need to spend, and when it is sold to be converted into money it merely takes money from one pocket of the people to change it to another.

The money that is spent each day is the money that was earned the preceding day, and what fails to be spent cannot even be saved by all the people although it may be saved for any one of them.

If every property owner was required to relinquish his ownership, no money could thereby be added to the sum the people need, but if property is required to supply the money to circulation that it takes when it sells for its value in money, it would then supply all the money laborers could ever receive from this source, regardless of ownership.

The slave owner injured society because he destroyed the greater market the slave should have created in buying as much wealth as the slaves were able to produce, allowing the master to gain from this market and not from the institution of slavery.

The slave owner was at a disadvantage, because he had to buy the men he employed, and had no advantage in the market for the slave products he sold in competition with free labor, his gains being limited by the difference between the cost price and the selling price of the labor product.

When the ownership of slaves was abolished, the opportunity to buy the identical product of labor was in no way diminished but was increased, and profits advanced as wages were higher and as the market widened.

When all markets are set free, by the return of the money now kept from circulation by debt, the property owner will gain by the release from debt as the slave owner should have gained by the release of slaves, and would have gained had not debt created a wider form of slavery than the system abolished.

The quantity of money to be added to the circulation by the abolition of debt, is the greatest quantity the people have power to use, a quantity that will buy all labor and every labor product at a standard price for its value in money on demand.

Edward Bellamy, in his novel *Looking Backward* proposed a system to supply the market with all the money it could use, by giving to each member of society a credit in money that would buy all the services labor could supply, and in this way discover the ultimate consuming power of the people.

This plan of supplying the required quantity of money was practically the same as the one we have in our bank check currency, whereby a man with credit in the bank may call upon the bank to convert his credit into cash as fast as the services of labor can redeem the money.

Bellamy's plan made credit universal, any member of society was permitted to draw an allowance of spending money, and put as much money in circulation as the market could use, but the money proposed by this plan, was not equal to the currency we have in our bank deposits, could we but distribute it among thirty million laborers, by paying them four times the present wages of common labor.

The reader will be willing to admit the ideal character of bank deposit currency, provided it may be widely distributed but may deny the plan by which a cash market will do this work automatically, and will increase the wages of thirty million of common laborers by the general circulation of bank currency.

The rise in wages from a cash market will first secure the money to pay them by changing debts into credits, and property will not be permitted to contract this money by making new debts. The money paid out each year for all purposes and the money paid in wages for all labor must balance because a cash market leaves no remainder.

A stock of goods on a merchant's shelves, or in a warehouse must be given a standard price, and given a circulation of money so it will sell for its price in money on demand, and all other wealth must be upon the same money basis of value.

Because we have never been favored with a market of this kind, where no balances remain to be carried by debts, or to be wiped out by a sacrifice in price, we are led to regard poor business as the rule and good business as the exception, when, in truth, good business should be the rule without exception.

It will appear to be quite impossible for any stock of goods to be liquidated for its value in money on demand for the reason that consumers require but a certain part of any stock within a given time, and if a great supply is suddenly thrown upon the market there must be a fall in price to absorb it. This is quite true, but it begs the question instead of answering it, for, if goods were convertible into money on demand, the emergency would never arise by which goods were thrown upon the market faster than they could be taken care of at the standard price.

But many men pursue business and fail, and no system can insure the market from the failure of men in many kinds of business.

The incapacity of any man need not inflict losses upon others who are in no way responsible for individual weakness and the fact that property has no surrender value does now pass the loss upon the innocent public.

Stability in prices and in values does not call for the "impossible that never happens." No system of insurance will permit great volumes of goods to sell at a standard price if they may be thrown suddenly on the market, but when values are stable there is no occasion to throw property on the market.

A national bank, for example, is not allowed to throw its deposit accounts and its assets on the open market when it is being liquidated, and lose the property of its creditors but it is forced to pay its liabilities by the careful handling of its assets.

It is true that an arbitrary value cannot be given to property, or to a stock of goods, so that a third person may step in and relieve the responsible owner of his duty to pay his just debts, but debts may be so limited that the responsibility for them will be provided in time, and the fund to liquidate them will be set aside when the debt is made.

The introduction of a cash system replacing the present one may seem to be impossible without paying debts, and to pay debts is equally impossible. When property is made to sell for its value in money, we need not look to some outside power to come into the market with money to relieve the property owner from debt, but the property will be forced to relieve itself.

Having a cash market, the evils of private property that now corrupt our social life and our politics may be safely ignored because the cash market will impose obligations upon property, which will take away its power of harm.

Practically all the special privilege the law may confer upon property is the privilege of contracting debts for the owners benefit which labor now pays in its cash market, but which are carried over to the capital market as a contraction of currency, in becoming a debt upon property.

When a railroad has been built, for example, labor has paid for everything, a balance in all accounts between all the laborers and all the material was paid for in cash by charging labor twice the cost of goods which included this cost of capital.

The debt created, was caused by not allowing labor to become the owner of the railroad and as our laws require someone to be the owner, debts arise to make some capitalist a present of it.

When ten billion dollars of bank deposits have been invested by banks and are retired from circulation the burden upon cash is enormously increased. This extraordinary demand upon cash is made by promises to pay cash in the future on account of the failure in credit to do the work of cash in the present market.

The stringency of credit does not arise from any deficiency in the quantity of cash, as promises to pay cash in the future seem to indicate, but is a result of a deficiency in the circulation of a quantity of credit to perform the functions of cash the property market requires.

A banker, or merchant finds each dollar of cash in demand to pay ten dollars in bank loans, not because cash is lacking but because credit fails to perform its functions, and debts would impose the duties of a credit circulation upon the volume of cash.

The only relief, so far promised by currency reform, is to expand the cash quantity, by an inflation that makes new debts and intensifies the evil, or give relief by a system giving banks the power to inflate bank credit in times of emergency.

There is a limit to the number of times a cash dollar may be loaned, and this limit is reached by the banker loaning the cash dollar every time he gets a surplus above his cash reserve.

If the reader will follow the daily routine of banking he will learn that in prosperous seasons, when prices are rising every business man will be making credit money, and banks are taking in more credit every day than they may loan to advantage.

When this excess in the daily deposits of banks is derived from a rise in the selling price of land, the profit taken from selling land may be used but once in the business of the country. It may employ labor and buy material in building, but when labor must pay twice the cost for goods, each two dollars spent for goods must cancel one dollar of profit made in selling land.

The growth of the deposit account in prosperous periods forces a continual contraction of outside cash to the bank reserves, and when deposits have all been loaned, and when profits have been cancelled by high prices of goods, the stringency of money suddenly becomes acute, and a panic may result.

Starting with money abundant, and with the currency being inflated by the credit obtained from profits, large gains will be made in every line of business, the volume of business will grow with the inflation of credit it feeds upon.

After five or six years of prosperous times, the country is suddenly prostrated by a stringency of money, and the money everyone had been making disappears from circulation.

When the period of good times comes to a sudden end, the people anxiously inquire the cause and want to know what has become of the money everybody was making? Why was the situation so suddenly changed from one in which all were anxiously to buy and gain a profit to one where all are anxious to sell and avoid a loss.

What happened is that the opportunity to make money has disappeared, and is replaced by the certainty that many must lose money who fail to meet the increased demands upon them for cash in paying the increase of debts.

If we would sell the entire product of labor each year at profitable prices we must have a volume of money in circulation not only sufficient for the commodity market, but a volume of credit doing the work of cash five times as great as the cash quantity.

The market for both goods and capital demands that the selling price must be twice the cost price so as to distribute past labor to the living generation, and this quantity of money is not left to chance but is self-determined by automatic demands from a cash market and is now to be found in ten billion dollars of dormant bank deposits.

When goods are selling at twice the cost, the price above cost not only becomes the inducement to employ labor, and keep cash in circulation, but the profits supply an inflation of credit money that pays the cost of the capital we build and renew.

When buildings and improvements sell at twice the cost the gain above cost is not only a motive power to keep a quantity of credit money in action five times as great as cash, but the profits upon capital inflate the currency with the only money labor cannot be forced to cancel by the high prices of goods it buys, and on this account becomes the only money from which wages may advance above the cost of living.

CHAPTER XII

THE VALUE OF LAND

A number of years ago, I expressed the opinion that the value of land represented a loss in the demand for labor, the selling price of land a loss in the selling price of labor.

It was clear to the writer that demand was intimately connected with the circulation of money, that demand was but another name for cash payment, and a loss in demand was but the postponing of payment in cash by creating debts.

If land was a labor product, and if land put money in circulation by employing labor it would not differ from the other things in the market, and no objection could be made to such property.

But land is not produced by labor, it has no cost in labor by which it is entitled to demand money from circulation, and when land imposes its price upon the quantity of money, it may only do so by taking the money belonging to the price of something else.

The money which represents a demand for land subtracts from the money creating the total demand, and as the price of land reduces the money in use, the difficulty in acquiring money to buy land must increase as the price of all land advances.

The contraction in the quantity of money by the demand for land extends the loss in demand to the market for wealth, and the difficulty in acquiring wealth also increases as money contracts, as wealth accumulates because wages fail to keep pace with the increase in wealth.

Any reduction in the circulation of money must either destroy as much money as is paid for land or allow it to come from some other source than the wages of labor, and this other source is found in borrowing money furnished by past labor and charging it up to future labor as a debt.

As clear and as logical as these propositions appeared to the writer, the explanation of just how the demand for labor is destroyed by the price of land was found most difficult to explain, on account of the connection between the value of land and the circulation of money.

Money is spent for land, that otherwise would have advanced wages above the cost of living, but it is a different money than that spent by labor for the cost of living, and this fact was where the difficulty in explanation lay.

When the claim is made that the money spent for land reduces the volume that may become a demand for labor, the question is at once in the mind asking why may not enough money be supplied for both land and labor, without one supply conflicting with the other.

The money in circulation cannot be based upon the value of land because money may circulate only when it is based upon the value of labor, and there are two distinct quantities of money based upon labor, a quantity of cash based upon living labor and a quantity of credit based upon the labor of the past.

The quantity of money based upon the labor of the past is a quantity living labor is not expected to earn, but is to get as a bonus by an increase in wages above the cost of living. It is this quantity of gift money the value of land takes from labor by charging labor with a cost of land and taking pay for land in the money that past labor supplies for the benefit of living laborers.

The inflation of credit money coming into circulation from past labor is first used to advance the price of goods, and wages are not allowed to increase above the cost of living from this inflation.

The increase in price of goods to twice the cost compels labor to supply the cost of capital from the extra charge for consumable goods by which process this inflation is cancelled and retired from the market.

After a property owner has put credit in circulation and it has advanced the prices of goods to twice the cost, the profit in goods will be paid for labor and material in building and this inflation comes to its natural end, but if the location is a favorable one the building will sell for more than it cost and on this account it should advance to its standard price of twice its cost but the price of land arises from this fact.

The circulation of money is not the mere spending of a given sum in employing labor and buying material, but is the repeated spending of a given quantity over and over again which makes up the circulation, and a contraction may occur from using money once to buy land and then using the money the second time in paying for labor and material before it is retired.

It seems absurd to claim that if A buys a thousand dollars of worth land from B, a thousand dollars in demand for labor has been destroyed.

The simple buying of a thousand dollars worth of land, has no effect on demand, as labor does not produce land, the cause of the loss in demand is back of the simple sale.

In buying land, if A takes money he has made in business and has on deposit in a bank, and buys land from B, who then employs labor with the money, in building, or for any other purpose, this bank deposit will be cancelled, and retired from circulation. The wages of labor must be high enough above the cost of living so as to restore all the sums cancelled by higher prices of goods and thus keep the quantity of bank deposits restored and equal to the full demands for money.

When bank deposit money is used in buying land, this money having been cancelled, can only be restored from the profit in selling buildings above cost, and the price of land prevents buildings from selling above cost.

If capital sold at its standard price on account of location, the constant reproduction of new and better buildings, selling at twice the cost, would restore all the credit money cancelled by higher prices of goods, for the market would require the price of new building above cost to meet the deficiency of labor in paying twice the cost of goods.

The selling price of buildings is not directly determined by the cost of production but by the rate of interest on money, but this rate is determined by the cost of all production in the general market, without regard to the cost of any particular building.

The rate of interest on money indicates the time labor must work, at the wages it is paid, to reproduce all accumulated wealth at its price in money, the number of years in other words, one dollar at interest would reproduce a dollar.

If the rate of interest, for example, is ten per cent and if the total wealth is a hundred and twenty billion dollars, the rate of ten per cent would make the time of reproduction ten years, and the wages this reproduction would demand each year would be one-tenth of a hundred and twenty billion dollars, or twelve billion dollars a year, at which rate labor in ten years could buy the total wealth.

There is but one source of profits, and it is the inflation which past labor contributes to the present circulation, and which present labor is again compelled to earn by being charged with a cost for land.

This inflation is intended to keep the accumulated wealth in existence by paying for its reproduction from profits, and to keep wages above the cost of living. To keep wealth in existence by making it sell for money wages must advance to the point where labor will be able to buy the annual production at twice its cost.

The value of land appears on the surface to be due to location, or to favorable supplies of raw material. The income of the owner, appears to be independent from the earnings of labor. But every income in money must come from the wages of labor, for if it is taken as profit, the wages of labor will be called upon to pay for it in higher price of goods.

The source of income is not difficult to discover, be it interest, rent, or profit, there is no other source than the money received from prices above cost, and without prices above cost all income and all wages paid in money would cease, because money would not circulate.

The selling price of a building cannot rise to twice its cost, unless it has a favorable location where it will pay a higher rate on its cost than the rate of interest on money, and property in land takes advantage of this fact to capitalize all the profit above the rate of interest as a value of the land.

The ownership of land makes no material difference to the public so long as there is no public demand for the particular land in question, and the cost of land only becomes a damage when it invades the money market and demands a part of the circulation of money by its selling price.

A mountain of coal, for example, may remain private property, without loss to the public, as long as it is so remote from the market, that its coal cannot compete with the supplies more favorably located, and for this reason it becomes difficult to explain why property in land should undergo so important a change after its useless product has become a useful one.

A coal mine, as a rule, demands one dollar spent for development for each ton of coal mined in a year, and this rule varies in favor of the best locations where a large annual output will reduce the cost per ton.

A mine of the better class, producing a half million tons of coal a year, for example, will have spent a half million dollars on its plant, not including any cost of land, and the success of the mine will depend upon the market price of coal in relation to the cost of production.

Suppose the profit, derived from the selling price is twenty cents a ton, and having a production of half million tons a year, the profit of twenty cents a ton will be twenty per cent on each dollar of cost of capital.

If the interest on money in the coal territory is ten per cent, every dollar paid as cost on this mine will earn as much interest as two dollars in other investments, and will allow the selling price to advance to twice the cost.

But favorably located coal lands of this description are not plentiful, so the owners of the best locations for coal mines will find people with money to invest bidding up the price of such land, as the only way open to secure a gain above the ordinary rate of interest on money, and the price of land will rise until it takes all the margin in the price of capital above its cost.

The dividends paid upon the capital of this coal mine come from the sale of coal, and come from the price of coal above cost and therefore cannot be taken from the wages of labor that are represented by the cost.

When the dividends upon capital come from selling prices above cost, what difference will it make whether such dividends are paid upon the capitalized value of land, or upon the price of capital above cost, either of which is called an unearned increment?

The difference will be discovered in the law regulating the quantity of money by a standard price of the labor product. If the gain above cost is taken by a rise in price of land the quantity of money will be reduced, but if the gain is taken by a rise in price of labor above cost the quantity of money will always balance the rise in wages.

When it appears to make no difference if a ten per cent dividend is paid on a price of land or upon a price of capital above cost, the opinion is based upon the theory that the money paid as cost of capital is returned in paying dividends.

The investor seems to be getting a return of his money from dividends, but as a matter of fact, the original sum of capital is never reduced by paying dividends, and a return of the investment demands a sale of the capital, and it is with this return of capital the price of land interferes.

The relation the price of coal bears to the value of capital is to determine the rate of profit upon which its value is based, and upon which the volume of capital money depends.

The rate of profit above the rate of interest, is a device of nature to secure the inflation of money by which wealth will be distributed as fast as it accumulates.

When the price of land absorbs the price of capital above cost it destroys this inflation of money by taking the profit once in the rise in price of land, and then it is cancelled by higher prices of goods, and cannot return by selling such capital at twice its cost.

If capital was allowed to sell at its standard price of twice the cost, the profit from the sale of capital, would continually reproduce the quantity of money to distribute wealth as fast as it was reproduced, and the demand and supply of money would be equal to the demand and supply of goods and wealth.

The continual reproduction of capital would have the same effect in keeping a quantity of secondary money in active use as the continual production and sale of goods keeps a supply of cash in active use.

A short supply of secondary money is temporarily offset by borrowing the credit money past labor may supply, and compelling living labor to earn this credit the second time by the high prices it pays for goods instead of labor receiving it as an increase in wages above the cost of living.

The greater the accumulation of wealth labor is compelled to maintain, the greater becomes its burdens, and accounts for the increase in poverty with the increase in progress, because labor is not paid for the reproduction of wealth.

Chapter XIII

HIGH WAGES

Recent investigation, in seeking the cause of the social evil, has uncovered the most appalling low wage conditions among the women workers of the country, and in every state a demand is being made to compel employers to pay a minimum wage, estimated at the least sum upon which labor may live.

This minimum is said to vary in different parts of the country where investigations have been made, but has never been estimated as less than eight dollars a week.

In a total of about thirty million laborers, there are five million who receive more than one thousand dollars a year, and another five million, more skilled than common labor who are paid above the average, leaving a great army of the underpaid numbering about twenty million.

Twenty million laborers are now being paid less than the minimum asked for. The total wages paid to all labor will be found to be not more than ten dollars a week.

In the demand for a minimum wage an unexpected difficulty will be found in employers not being able to get the money, because the market will refuse to take the goods at the prices the increase in wages will demand.

The minimum wage situation results from the fact that the natural law establishes two wage funds, from two circulations of money, cash and credit, and the human law limits wages to the money circulating only in the cash commodity market.

With nature supplying money to pay a maximum wage four times, the present wages of common labor, we allow private property in land to take all the credit from the wage circulation, and propose to restore a part of it by legislation falling upon the employer.

Employers are now paying all the wages the cash circulation will allow them to pay, and the real situation is the pitiful one of having a wage fund three times as great as the one we use, and stand idly by while property in land is permitted to drive it from circulation, and replace it by an increase in debts that cannot be paid.

The minimum wage according to natural law, will balance the selling price of goods, and when we refuse to allow credit money to be included in wages we will find there is no escape from the Iron Law of a minimum wage.

We now pay to labor all the money spent in the commodity market, but we fail to pay the money saved by the accumulation of wealth and deny labor all advantage from two thousand years of civilization.

We have our labor problem because we will only allow the minimum wage fund to remain in circulation, and permit the price of land to take every dollar of increase from the market as fast as wealth would add it to wages.

Having only the money in circulation that will pay minimum wages there is reason in the opposition by the employer to a law that would establish wages he cannot collect from the selling price of goods.

The human law will be found to be powerless in its effort to make black appear to be white in paying wages, in its efforts to enforce a minimum wage rate regardless of justice demanding that labor should receive all the money provided by laws of nature for its benefit.

The difficulty we will encounter with the minimum wage will be, that the natural law has already cut this wage into two parts, by the rise in price of goods above cost before the employer is called upon to distribute it, and inequality is multiplied on every side by our failure to allow a corresponding rise in price of capital above cost which will supply the money to make up this loss to labor.

The employer must pay the higher wages which fierce competition demands from skilled and organized labor, and thus pay an army of ten million a rate almost double the average the natural minimum grants for all the workers.

The attempt to regulate wages by law is based upon the theory that an employer determines the wages of the employe, at least within certain limits, and a law may compel the employer to pay a minimum wage as long as it keeps within this limit.

The profit the employer takes from the price of goods is supposed to give an elastic limit in paying wages, by which he may at least advance them to the minimum. No one asks how the army may be employed that every one will refuse to pay any wages.

The profit collected from the selling price of goods is now paid in wages to other labor, and it will be discovered that two bodies cannot occupy the same space at the same time if an attempt is made to pay this profit elsewhere.

This minimum wage fund is not one dealing with sundry employes in certain stores and factories, but will be found to include millions, and the difficulty of finding work at any wages will become an increasing one.

Where is the money to be found to pay the wages the law demands as a minumum, and if the money may be found belonging to the wage fund every one admits belongs there, why stop at a minimum wage? Wages may go to the maximum, for after the money belonging to labor has been once discovered, the employer will be only too glad to pay it in wages and collect the profits which higher wages will distribute over the entire market.

Find the money? That is the question for legislation to solve. Find the money: and no one will then refuse to pay it in higher wages, but finding the money is just where the statesman backs out of the controversy and insists that finding the money is the employer's business, and is not the business of legislators.

But when legislation decides to make a minimum wage its business, the employer may well demand that some new source of money must be uncovered before it is possible to obey the law, and the law maker cannot evade this responsibility by merely passing a law saying the wages of twenty million laborers must be increased to a living standard.

The employer has been finding the money, it is true, to pay the increasing wages of organized labor, but this money was found by passing the increase along and charging it up to the consumer in higher prices of goods, with the result that the law makers are now seeking to protect this same consumer who has had no defence.

We have come to the end of the chain of passing it along to the consumer by reducing the wages of the lower millions, and by increasing the prices of goods they buy, and the problem of finding the money upon which the payment of all wages depend must at least be faced, and solved.

What we must understand is, that the employer cannot fix the wages he pays, except within very narrow limits, and he does not supply the money paying wages.

All the money paying present wages is money that was paid in wages the day before, and is expected to be paid the day after, and this sum is carried in prices of goods between one payment of wages and the next payment, and if there is a loss in demand for goods over the entire market there will follow an absolute loss in the present wage fund.

If it is assumed, for instance, that the employer could pay the minimum the law demands by reducing the wages of ten million laborers who get more, and if organized labor consented to the change the result would be an increase in the price of land and a lower wage scale for all labor

There is an outside force taking up every dollar that should increase wages above the cost of living, and taking it as fast as credit from new wealth can add it to the supply, and taking it for no advantage to any one, because the increase in the price of land that contracts the circulation of money may be taken by the same increase in the price of buildings above cost, and add it to the money paid in wages.

An illustration will explain how the employer is compelled to distribute the money he receives from the selling price of goods and how impossible it is for any employer to fix the rates of wages.

A retail merchant sells one thousand articles to consumers every day at one dollar each, and the laws of distribution require him to return most of his money back along the line from which the goods were received.

If the merchant employs ten clerks, and his labor cost is twenty dollars a day, the natural law expects him to retain twice his pay roll from the selling price.

City delivery will have the next call upon the distribution of the one thousand dollars, and if five laborers at ten dollars a day may be charged for delivering the goods, twenty dollars will be taken on this account.

Railways may take their part and if they are to be credited with five laborers at two dollars a day, may take ten dollars and ten more for profit.

The finished manufacturer will come in for a claim based on employing a hundred laborers at two hundred dollars a day, and will be paid four hundred dollars, at which point four hundred and eighty dollars will have been distributed from the one thousand dollars collected, leaving a balance of five hundred and twenty.

The manufacturer who takes up the raw material, will have a claim based upon a hundred laborers, with a payroll of two hundred dollars a day, and will get four hundred leaving one hundred and twenty for the man who supplies the raw material and who employs thirty laborers, and has a pay roll of sixty dollars a day and takes the remaining one hundred and twenty dollars.

When the retail price at the top of this pyramid of buying falls below this standard, the common labor employed all along the line will suffer most from the decline in price, on account of the ability of the better paid to shift the loss down the labor line where it is divided into smaller fractions as it is distributed among twenty million common laborers.

When twice the pay-roll is being taken from retail prices it seems that labor is being defrauded by this profit, but the facts are that the wages of two sets of laborers are included in this money, labor in the capital market as well as labor in the commodity market.

The investigator may go all around the money collected from the selling price of goods, and he will find it will always balance with the total wages paid, and not a dollar has been collected but is included in the sums paid in wages.

Shifting this primary wage fund in any manner that may seem pleasing will not increase it, and will not supply the missing funds that disappear from circulation as the price of land is advancing.

The minimum wage fund cannot exceed the

selling price of goods and when prices fall and the market level declines this minimum wage sum will diminish, and a lower minimum will take its place, and many laborers fail to find work at any price.

The fact to impress on the mind is that the wage fund should not be limited by the selling price of goods, but must be made to include the selling price of the capital labor produces each year selling at twice its cost.

The price of goods above cost now carries the cost of capital, and one half the minimum wage fund is taken from labor in higher prices of the goods it buys, and money taken by higher prices can never be restored unless it gives three times as much as it takes. Now one dollar in cash is being taken from each two dollars spent for goods, whereas two dollars of credit should be added from which the dollar in higher prices should be taken.

The minimum wage fund is tied to the maximum fund by building being tied to the labor and material it consumes, and unless the money represented by the selling price of buildings above cost is paid in wages above the cost of living, no money will get into circulation to buy buildings in a cash market and all the money spent for land must come from an increase in debts that cannot be paid.

Before buildings accumulate there is of course no building fund by which wages above the minimum may be paid, and when economists would reduce the labor question to its simplest terms by confining production to the primitive occupations of hunters and fishermen, they lose all the money represented by the accumulation of wealth from which alone wages may advance above the living of a savage.

The money in the building fund belongs to the wages fund, follows the accumulation of buildings, and can only be added to wages as buildings are being created and must be reproduced, but this building value is distinct from the value of goods, and is distinct from the value of the labor and material consumed by construction.

It is only after buildings represent a saving in time to present labor who use them,—saving the time they would have to take to produce them,—that buildings gain a value in present money. This money which past labor confers on the living is a gift, and as a gift it represents prices above cost, as a gift it represents profits, and as a gift it must increase wages above the cost of living.

Building money from past labor may only become a part of the present circulation by becoming a price above cost, and on this account it will only appear in buildings so favorably located that the rents or profits from them will pay a rate of profit twice the rate of interest on money.

The maximum wage fund will thus be found to depend upon natural resources, by which the gain in inflation from the price of goods will be renewed and held in circulation by a similar price of buildings, after commodities have been consumed, and after the inflation advancing the price of them has been cancelled.

The selling price of buildings above cost compels the building industry to concentrate in towns and cities where the sale of goods at the standard price will provide the great body of consumers who create the density of sales and production which allows the price above cost to become a profit on the capital invested by the dealer or manufacturer.

When a city is being built labor should find its wages increasing as wealth piles up in buildings and is saved, and the opportunity for employment should expand as more people have the use of this enormous saving, from past labor, which may be spent over and over again as often as it can be paid in higher wages.

Building is the chief consumer of labor and material, and the building demand should be one of the greatest demands to increase wages without adding to prices of goods.

The money that should circulate in creating a demand for building is a quantity of credit equal to the selling price of buildings in a year, and the annual wages of labor should gain this sum, just as wages must balance a sum of cash buying commodities every sixty days.

The annual production of buildings and other capital calls for land upon which to build them, and the land must be so favorably located as to make the capital invested in new building equal in earnings the capital already invested.

These new buildings are demanded to keep up the demand for labor and material in the building industry, and to have the annual sale of buildings at twice the cost return to labor the money they are compelled to pay for goods above cost.

The question is, have we the locations upon which to build as continuously as we produce commodities and material continuously, and are we able to sell the annual building at twice the cost, as we sell the annual production of goods?

There is practically no limit to the number of building locations calling for changes and new construction every year, the decline in the rate of interest to its lowest point from increase in wealth, has made all building land favorable in location, and has brought every building site within the margin of profitable production.

It is true that there are great differences in locations for building, but such differences are equalized by the different kind of a building each site will demand and support. One location will demand, and pay rent for a building costing ten million dollars, and selling for twenty million, while thousands of locations will call for buildings costing but ten thousand dollars and selling for twenty thousand.

The difficulty in building has never been one of finding a profitable location, where the rents will pay twice the cost on a new structure, but it is the cost of land to be paid in advance of building that destroys all the profit in the new building.

The cost of land takes money the new building should put in circulation and takes it before the building may be commenced, and thus, in taking money in advance of construction it compels the deficiency to be met by a debt.

When the cost of land takes up the gain from selling buildings at twice the cost before the building has been added to the total wealth, it holds the price of building to cost, and the builder cannot make the same profit as the merchant, and cannot retain the inflation put in circulation by higher prices of goods.

The entire credit circulation from the labor of the past is thus being cancelled as fast as land is being improved with buildings that permit the price of land to take the price above cost, and where the land allows no more profit in building, the building period ends for that location.

Every authority on the circulation of money agrees that cash can only circulate by being paid in wages and as the wages spent for goods, and again paid in wages, but the same authority seems to believe that credit money does not depend upon wages for its circulation, but has some mysterious and unexplained way of entering the circulation independent of wages and different from cash.

The truth is that credit money has a similar law governing it. Credit should come into circulation in paying wages for building at a rate twice the cost of living, and the buildings should be sold for this wage money the same as goods are sold for wage money. The circulation of building money depends upon the continual próduction and sale of buildings at a standard price for both labor and buildings, the same as the circulation of commodity money depends upon the continual production and sale of goods at a standard price for both labor and goods.

The important fact that five hundred million dollars of bank checks circulate daily;—that this enormous inflation of money is newly issued and cancelled each day to carry on the business of the country, should make the reader think, for some day this five hundred million dollars may not repeat its buying of the day before, especially if its present circulation is largely a spurious and counterfeit one.

Every panic and stringency in credit are but the preliminary symptoms of the greater shock preparing under the surface by the pent up forces of civilization.

When we consider that five hundred million dollars of bank currency is circulating daily in the business of the country we should realize that this money is entirely beyond the control of governments or banks and is subject to a natural law that may bring on a calamity as disastrous as an earthquake.

By confining the money paid in wages to the cash circulation, and by allowing debts to accumulate for all the arrears in money due to labor the civilized world is being charged with some kind of a fearful settlement of its accounts that the bravest man may well hesitate to express.

Labor is being confined to a small circulation of cash of fifty million dollars a day when the true circulation would allow one hundred million dollars in bank checks in addition to the fifty million cash.

How labor may acquire this additional hundred million dollars a day should become an interesting question for organized labor to discuss.

Must wages advance first and draw this money into the wage fund, or must property in land release the profit in building first before this money can get into the wage fund?

The solution of the labor question will work backwards and for this reason the most conservative employer need not be alarmed at the proposed increase in wages to four times the present minimum.

The money to pay the maximum wages allowed by natural law, will force the price of land to become a price of buildings above cost before the employer will be called upon to pay it, and unless he does so pay it, he will lose the profits the higher prices of buildings will distribute over the entire market.

Fifty billion dollars worth of buildings will have their selling price inflated by the addition of fifty billion dollars of money circulating as cash, and this must be provided for by bank reserves set aside to pay this price on demand.

With the accumulations of buildings insured at twice the cost, and thousands of locations on the market seeking buildings that cost from ten million to one thousand dollars the building demand will include the circulation of the building profit, and wages will naturally advance to the maximum where they now belong.

The total quantity of money will then circulate in a cash labor market, and the land owner will be in the position of a beggar who can no longer live on credit by creating new debts. The land owner will be seeking some builder to convert what is now a land value into the price of a new building above cost, and thus save the value of his land.

A cash market for all capital as well as for goods will create the following situation in the land market. Where good locations are now improved with suitable building the rents being paid will support a price of twice the cost of the building and allow the same selling price to be obtained.

The only demand to be made upon the owner of a good location fully improved will be to set aside a reserve from the income which will insure the surrender value of the property and to make it worth its price in money on demand.

Where good locations are not improved with suitable buildings, and where the rents now paid represent a high value for land the owner will likewise be called upon to set aside a reserve to insure the land value, which he will find he cannot do unless the location is improved with a suitable building.

This demand from land owners to improve locations and save twenty billion dollars worth of land value will be the first great increase in demand for labor coming from the building industry, and its first effect will be to bring up the wages of common labor to the minimum established by natural law.

Where good locations are now encumbered with old and dilapidated buildings in every town and city, and are held for the value of the land, the change to a cash market will entirely destroy the land market, for no one would then pay the profit to be obtained from a new building as a cost of land.

The cash market will destroy the power of land as a preferred creditor in creating debts, and it could give no security for borrowed money. The only security the market will recognize will be the reserve protected ones that insure payment in cash on demand and all future debt payment will be abolished.

Under the stimulation of a cash market the building industry will take on a new and wonderful prosperity, unlike any other in the history of the world, because billions of dollars will be made available for investment that are now tied up in the value of land.

The limit in the power of labor to build and the limit in the supply of building material will be quickly reached, with the inevitable result of increasing wages.

No more buildings may be built in any one year that the surplus labor, not required in the commodity market will create, and the increase in the demand for building over any possible supply will send the price at once to the standard of twice the cost, and the profit in new building will keep up the supply of wage money.

The present market for twenty billion dollars worth of commodities will then be reinforced by an equal market for twenty billion dollars worth of buildings, and this will so increase the demand for labor, and supply so much more credit money to the cash circulation as to double the present wage fund.

Doubling the present wage fund will make labor scarce by taking away from the market many of the women, children and the aged, and will greatly reduce the pressure for employment among common laborers. The total number will fall about five million judging from the number of children now at work who are under fifteen years.

When twenty million common laborers find their wages have advanced from less than five hundred dollars a year to a new minimum of a thousand, the market for consumable goods will gain most of this advance, and a new total in the annual sale of goods will push up the market from twenty to thirty billion dollars a year.

This rise in demand in the retail market will then be followed by a corresponding increase in demand in the building market, and in this case the increase will be wholly an increase in wages, without a corresponding increase in prices of goods.

The first rise in wages to the new minimum of a thousand dollars a year for twenty million common laborers will make enormous new demands for building of every imaginal description, including hotels, stores, theaters, railroads, steamships, and everything that millions of people with higher wages will increase the demand for.

This advance in the retail goods market to thirty billion dollars a year will therefore be followed by a similar advance in the building market to an equal sum of thirty billion dollars a year.

This increase in the demand for building will again double wages, and the natural minimum of one thousand a year will be increased by the maximum taking its place and average wages will advance to the standard of twice the cost of living and laborers will be paid an average of two thousand dollars a year each.

Chapter XIV

COMMERCE

If the reader will call upon his imagination to picture the commerce of the whole world he will be astonished at the changes that have been taking place in a few years without help from legislation, and while the people were unconscious of change.

Agriculture will appear in a new light; all the fields in the world, in every latitude, are merging into a single field which is being cultivated by all classes of people in all seasons. The products of every climate are coming into all markets with the regularity of manufactured goods, and all changes of seasons in one country are giving way to a stability of crop and of season in fields that covers the whole world.

Times of recurring famine are being succeeded by times of plenty, and over the whole world there is no such thing as a failure in production.

The crowding of seasonable crops upon an overstocked market is rapidly becoming a thing of the past, short seasons are disappearing, perishable goods are ceasing to become perishable, all fields are uniting into a single field, over the whole world, and all difference in season is combining into a single season.

As this uniformity in agriculture is making headway, manufacture is following, and trade is fast becoming world wide and the people are being blessed by a stability in life, by protection from want, and by a universal plenty intended to embrace all mankind.

Hundreds of millions of the world's population are rapidly sharing in an ever expanding joyfulness, commerce is spreading everywhere, uniting all nations in one universal brotherhood, by uniting all markets in one universal market.

As this wonderful panorama of the commerce of the world unfolds before our astonished eyes we may well inquire: What wonderful machinery has brought it into existence, while each weak human being has been selfishly busy with his own small affairs?

The imagination fails when it would picture the cause of this wonderful change brought about by commerce. It is easier for the mind to picture the world in the imagination than to outline a simple machine, and we realize that machinery of some kind is being required to carry on the commerce of the civilized world.

This machinery of commerce is not only beyond our comprehension, but is as much beyond human control as the weather.

There seems to be some such natural law over commerce as the law of the weather, on account of the close connection between trade and the seasons.

Commerce seems to develop a certain stability in order to escape the seasonable changes in trade, and escape the changes of prices depending upon changes in consumable goods.

The first protection of commerce develops from manufacture under roofs, where there are no changes of seasons, and no interference by unfavorable weather; when manufacture demands capital the value of which again demands a greater stability in commerce.

Wealth grows in cities in some such manner as forests grow, and buildings are like trees which are protected from the changes of seasons that make growth perennial instead of annual.

The convenient locations, favoring the growth of forests, where they are protected from the elements, and have been allowed to develop a machinery of structure to immeasurably prolong life, is like the growth of buildings in favorable city locations where the life of the city may only be measured by the life of the nation.

There are seasons in commerce, like the fitful changes of weather, but there is a machinery in the growth of fixed wealth in cities which is able to resist the unfavorable commercial seasons.

Commerce created money and in doing so it developed the machinery by which its life was prolonged by protecting it against the fluctuating prices of commodities.

Commerce depends upon the commodities it distributes, and these commodities come to depend more and more upon the money wealth supplies by a constant interchange between the money from wealth to the commodity market, and the money from commodities to the market for wealth.

The life of a tree, like other plant life, depends upon the constant circulation of sap carried to the remote branches and tips of leaves, and returning to be renewed at the roots of the plant, and all fixed wealth depends upon a like circulation of primary supplies that must return to its roots by creating wealth, upon which all markets are based.

The stability in the circulation of money is provided by machinery separating profits from prices, and promoting the interchange that carries money from goods to property, and back again from property to goods.

Commerce is distinct from trade because it includes both processes, including the money supplied by production and the money added by distribution, and for this reason commerce should be studied from the standpoint of the value of wealth rather than from the prices of goods.

Commerce has a money of its own, a money labor is not called upon to earn, and a money outside the forces of production, a credit money based upon accumulated wealth, but it can only circulate as it is included with the money labor is called upon to earn by production.

The value of capital being based upon credit money is made proof against the changes of prices that are of daily occurence in the goods market, and this protection is obtained by basing the standard of value upon a rate of interest, and not directly upon the sums paid in wages and spent for goods.

The rate of interest upon which a hundred dollars of value in wealth is based calls for only about six cents from each dollar in the price of goods, and this six cents is half the rate of profit. This gives double protection, once from the decline in price, and again from the decline in profit.

The fact that money has its origin in commerce may be questioned in favor of the more pleasing theory that trade made its start among a free people, and spread slowly as freedom spread and as the domestic products of a pastoral people were forced to seek exchanges with other products from like people.

As a matter of fact, however, slavery was the universal form by which labor was first compelled to produce goods to trade, and shipping with slave labor opened up the first channels of easy communication by which commerce made a beginning.

The slavery upon which commerce developed continues to this day, and changes in the form of slavery were brought about by some necessity in the growth of trade, and further advances to freedom will depend upon some necessity of commerce, and not upon some theory of politics or of humanity.

In seeking the beginning of civilization we must discover the machinery that created a standard of value upon which commerce had to depend and without which it could not continue.

People in different countries, although they may be entirely savage, or but slightly civilized, adopt a system of local exchange, or barter suitable to their condition, and merchants desiring to trade with them are obliged to conform to this domestic standard, and in doing so have created a world wide standard by which the various local systems are computed.

Each nation has its own money system, and different standards of value would greatly hamper commerce, had not this difficulty been overcome by the development of an international merchant currency, into which all separate money systems are convertible.

In early days when a sailing ship made its exchange of cargoes by stopping at many ports, and taking a year's time in making a voyage, the danger from loss of ship, from pirates, or mutiny, made it unsafe to trust any of the precious metals with the ship, and payments were early made in merchants' bills, by firms whose world credit had been firmly established.

The fact that merchant bills of exchange came into existence before coined money, and the fact that trade created a standard of value before there was a coined standard, are facts commonly overlooked in discussing the money question.

Credit dates back beyond the introduction of a coined money, and was the cause, and not the effect, of the development of all the coinage systems in the different countries of the world.

The agents of great mercantile firms buy and sell tens of millions of dollars worth of goods, in markets scattered all over the world without using a dollar of coined money for this purpose.

Goods bought in every market for shipment to other parts of the world are paid for with letters of credit, or bills of exchange, made equal to cash, or gold by being made payable at some particular time and place.

Bills of exchange were early made payable at certain maritime cities, in gold and silver of a definite weight and fineness, and when a city like Venice had established its world credit its merchant bills circulated on their own account in enormous volume, and were rarely called for specific payment in gold, because new bills replaced the ones cancelled.

Precious metals were confined to the duty of keeping the volume of credit within proper channels which were determined by the volume of trade, and only such bills as sought to overflow the credit channels were made to return by being paid in gold or silver.

Entirely too much prestige has been given to the theory that redeeming credit by gold payment limits the quantity of credit by the quantity of gold. There is no truth in the theory.

Credit must have another medium than gold, a medium more desirable than gold. Commerce could never have grown great had it had no other inducement than an accumulation of gold.

The power behind gold, the power that builds the wealth and commerce of the world, is the commercial power of credit money, a power giving it control over labor by its control over wealth, a power over money that compells labor to work for money instead of working merely to live out an animal existence.

The introduction of gold did not, and could not, satisfy the commercial demands for a currency. The money of commerce has never consisted, to an appreciable extent, of gold coins nor has there been a time when any nation could have conducted its trade with gold payments.

The introduction of credit currency is the fact of greatest importance in the history of the world, and the next fact of importance to understand is that gold was introduced to assist the circulation of credit among the nations more or less uncivilized.

As the modern world introduced steam and electricity an expansion in trade became necessary to take care of the great expansion in production, and as goods in transit grew in volume and in value a corresponding growth in volume and value in bills of exchange has to accompany them.

This enormous inflation of credit could not be permitted to go into circulation without limit, and be issued without cargoes of goods to back them, and since bankers cannot become familiar with shipping and with millions of bills for goods in transit, such bills required some insurance that they will be paid and cancelled as each trade is completed.

To insure the payment of merchant bills, and to prevent the fraudulent issue of them; to have old bills paid before new ones were issued upon the same security, they were made payable in gold, because this metal is universally desirable by every government in contracting debts, and in insuring the payment of debt.

The money of any country depends upon two forces, its labor and its commerce, and commerce depends upon a force representing past labor. The fact regarding any currency system is this fact, that it is based upon labor present, representing the circulation of cash, and labor past representing wealth and the circulation of credit currency.

The failure in the commerce of any country may be traced to some failure in the relation between past and present labor growing out of profits. To secure profits debts have been introduced based upon past labor, and the gain in time represented by past labor has been used to secure a similar gain in time in paying present labor for the production of capital.

When time payments were extended from the conmodity market where they were used to inflate the currency, to the capital market to postpone the payment for labor and material, debts were introduced that began to supplant credit and to entirely destroy its circulation.

Credit, coins the value of goods, or property, in money to allow time for distribution. Having credit in circulation there is a double value outstanding, one in the property and another in the quantity of money, and this situation demands a standard price of double the cost to make room for the value of the credit circulation.

The value in present labor must be measured in the cost, and as all money must be paid in present labor, prices and wages must be advanced when it becomes necessary to double the quantity of money measured in the cost of production.

When debts are introduced, room must be made for the value of the debt, and something must give way in this perfect balance of the commercial market, credit gives way to make room for debt, and debts increase until they entirely supplant credit, or until they supplant as much of it as industry can stand.

The introduction of credit is for the benefit of present labor, and it must raise price and wages. The introduction of debt is a contraction of the same money that changes the distribution of wealth to its concentration.

When markets are embarrassed with a surplus of low cost goods that cannot find buyers at home, it becomes necessary to seek buyers in other markets, to call upon commerce to take a surplus from one point and replace it with goods from other points.

To a market situation glutted with goods that cannot be sold an inflation of money from commerce comes like a special providence to relieve poverty by an embarrassment of riches, for not only is the surplus taken away, but a new market for goods is opened with like new markets at the other end of the trade, and money is provided by selling one surplus to buy another.

But one surplus cannot be sold to buy the other unless the two dollars representing the goods and money are balanced by prices of twice the cost, and this money circulates because goods are sold for half credit and half cash, at twice the cost in each market.

This inflation seems to be of doubtful benefit to labor since its chief effect is to provide work at each end, to make a market for goods by allowing commerce to continually take up half the money in circulation as a profit.

Thus when goods are sold at twice the cost, the merchant gets the inflated credit he puts in circulation in profits which will only allow labor to buy half as much as they sell, or the difference must be made up in some other way.

If the laborers at the two ends of the trade are each to buy all the goods, produced and each to sell for only half enough money when they sell at cost, and then to buy at twice the cost, how will money circulate to buy both products?

The time payments introduced allow capital to employ labor in building, and as money is taken from the selling price above cost it is spent for labor and material in building, and thus the money to pay twice the cost gets into circulation by having the cost of capital included in the selling price of goods above cost.

At this point, the situation in the commercial market, has been balanced, laborers have a market for all the goods they can produce at twice the cost from an inflation added by commerce, which is redeemed by labor in building capital and includes the cost of capital as a cost of goods.

Thus the circulation of money is completely balanced in this primary market, but capital in its many forms has been added to commerce, and unless this capital has a value in money and will sell for more than it cost commerce will lose all the profit obtained from the sale of goods.

The value of this capital will be based upon its cost price and commerce has a basis of value for a new inflation of credit money, and this inflation must put twice as much money out as the cost represents.

Commerce must have a market for all the capital labor is able to produce for two reasons, first to allow labor to cancel the surplus money buying goods in excess of the money paid to produce them, and second to save the profit by having a market in which capital can be sold.

Capital cannot get a value until after it is being used in production, and until it will save as much time for present labor, as its value represents.

This time is saved by the fact that capital in railways, factories, houses, stores, is being used in getting goods to consumers, and in producing a greater quantity than could be otherwise produced.

But this time saved is past labor time, and when a quantity of credit money is put in circulation it must represent working time by past labor, and the credit money must be redeemed in living labor by the distribution of wealth.

When a quantity of secondary credit gets in circulation buying capital it will only circulate by being redeemed in present labor, and it is essential that no more of this secondary credit be paid for capital than can be so redeemed.

In the primary commercial market gold payments are relied upon to take up any excess of credit failing to be redeemed by labor in buying goods, but in the property market gold cannot be used for this purpose.

In the commodity market settlements are made every sixty days and are made in cash, hence it follows that any excess in credit circulation must be cancelled at once or prices fall, but in the property market the distribution of wealth makes the settlements by a fixed price that is not expected to fluctuate and which depends upon a rate of interest.

This rate of interest gives a year's time to make settlements, and any failure in settlement is balanced by an extension of time by introducing debt, and not by a change in the selling price of capital.

The balance in the demand and supply of money is a balance by which all money in circulation is redeemed in present labor, and when past labor adds a volume of credit to the supply, this money can only be redeemed by increasing wages so as to include it.

This increase in wages from past labor must be an excess in wages above the money to buy goods at twice the cost, and unless capital sells for twice its cost no money in excess of the sums buying goods can get into circulation in the labor market.

Capital secures its value of twice its cost by saving time to present labor, and to do so it must secure locations where the low cost in producing or selling a great volume of goods will allow the profit taken from the price of goods to become a value of capital equal to twice its cost.

When capital seeks such locations it finds private property in land demanding a price for the land that will take a part of the price above cost secured from the higher rate of profit, and this money must be redeemed by labor in the annual settlements in the capital market.

This price for land prevents the annual production of capital from selling at twice its cost, and stops the inflation of money where the commodity left it, with the cost of capital settled by prices of goods above cost.

This being true the entire cost of land, has no money that may be settled for in labor, and the settlement must be postponed by extending the time of money saved by past labor and by promising that future labor will redeem the money paid for land.

When wealth has been encumbered with all the future payment it will support, no money can come into the market buying capital, and as capital will not be produced unless it can sell for more than it cost the entire commerce of the country will be destroyed when the limit in debt had been reached.

Chapter XV

THE FAILURE IN BANKING

Scattered over the United States, in its towns and cities, are twenty-five thousand banks and trust companies that are expected to ~~become the local mint~~ to supply every community with all the money it can use.

Tens of thousands of banking institutions have the power of supplying the country with fifteen billion dollars or bank deposit currency to replace the half of the cash they have taken to insure the payment of deposits.

There are no facts in the country, so awful to contemplate as the facts relating to the failure of twenty-five thousand banks to do the work they are designed to do, failing to perform their proper functions they are driven to support a monstrous system of gambling and of speculation.

Bankers will assert they have little or no power over deposits, and are not responsible for the wide spread stringency in credit that is fast destroying the market for wealth, that when they invest deposits in permanent loans they do so because they have no other outlet for them.

The market in which the individual should invest his savings is one in which he can recover his money as easily as when it is in a bank, but this very market is destroyed for him by the banker when he invests the depositors' money in permanent loans, and thereby takes from circulation the credit currency that would otherwise have created a cash market for capital, at a standard price.

The banker destroys the opportunity of the depositor to make investments for himself by taking away the circulation of credit, and converting it into an increase of debt which vainly promises to restore the missing currency in the future.

Substituting debts payable in the future for bank credit that is payable on demand, is to create an enormous stringency in the circulation of credit which brings about a corresponding concentration of banking power by the control it gives to a few banks over a limited volume of cash.

With twenty-five thousand banks in the United States one-half the banking power has been concentrated to the banks of two cities, New York City and Chicago, and to about two hundred banks, less than one per cent of the total number.

If Boston and Philadelphia are added to the half New York and Chicago control, the arid waste of country from which credit has been drained will make its woeful appearance in the loss of markets for wealth outside the cities in question.

The banks in New York and Chicago control eight hundred million dollars out of a total of sixteen hundred million of cash—for only half the total cash is available for banking purposes—and two cities have secured for a few of their banks one-half the banking power of the entire country.

While the banks in New York and Chicago control one-half the bank cash of the country, they do not control one-half the deposits but have the most profitable part of them, and are only limited in this direction by the greater proportion of cash reserve they are compelled to retain on account of their more profitable business.

To keep their enormous deposit accounts liquid and have their loan accounts payable on demand the banks of the two cities use deposits from all over the country to buy the securities upon which they loan deposits.

The pretense of having a cash market for securities, on the New York Stock Exchange is false on its face, for the banks furnish the only market by supplying money to buy stocks in the form of loans.

The stock broker is the agent of the bank, and has his customer protect the bank by a ten per cent margin on all loans to buy stock, and this margin becomes the four hundred million dollars of cash deposits that other banks maintain as a part of their reserve with the banks in the two central reserve cities.

The banks in the Stock Exchange business play with the cash reserve of outside banks a if they were chips in a game of stud poker, as though the central bank held all the concealed cards, and by creating a fever of speculation over the country by advancing the prices of favorite stocks they are able to gather in the stakes deposited with them as fast as the country can make good the loss.

When a customer outside the city of New York buys a security on the Exchange, he must buy a draft on New York to pay his margin, and the draft is but a check by his own bank upon its deposit with the bank in New York, and as the deposits of banks are thus cut into by speculation they must be restored as fast as the financiers may gather in the stakes by manipulating prices on the Exchange.

The news sent broadcast over the country that the public is buying stocks on an advancing market or that the public is selling them when the market is falling is fake gambling news.

When the public is tempted into the market by rising prices "insiders" feed the public with all the stock it can find money to buy, knowing that prices are booked, for a ten or twenty point advance as they sell them to the public.

The same shares are sold over and over again by a system of loans, but never parting from the securities, and they sell the market cold when they have exhausted the cash in the reserve from outside banks.

When the market finds its top in this manner, the customers who bought on the rise may have hundreds of million dollars to their credit on the books of the banks, provided they may "cash in" at the high prices and discharge their loan to the bank.

The paper profits carry an eighty or ninety per cent loan at six per cent, which the bank allows the broker to carry at three per cent, and when the outsider attempts to unload, he finds prices begin to crumble, because all the men heavily in debt to banks are forced to unload on one another to pay their debts, there being no actual cash market for the securities they are forced to sell.

If the unloading does not proceed fast enough to satisfy the financiers in charge of prices, and margins are not being wiped out as fast as is deemed necessary, the speed of unloading is facilitated by a device that is very effective.

When the speculative accounts hang fire, the call loan rate advances. The first effect is to hurt the broker and induce him to sell out his customer because his profit in carrying his customer by charging him a higher rate than he pays to the bank is destroyed by the advance in the call loan rate.

As the call loan rate advances prices fall, and the fall can be regulated to a nicety by an advance—without notice—in a rate of interest that is being collected from a billion dollars in loans.

As the price falls, it halts at every point where it wipes out the profit of some customer who bought at that level and who may not be able to supply additional margin before the fall in price is allowed to continue.

After the liquidation is complete, the same people will be found to retain the stock that had been sold many times on margin, and the financiers recover their stocks as they secure the millions of dollars that have been tempted to gamble on a "sure thing game."

Bankers loan a billion dollars on stock exchange collateral in New York, and for this purpose brokers are given credits at banks that stagger the imagination.

Perhaps the greatest commercial credit in the world is that of a firm of merchants in Paris who keep fifty million dollars on deposit to take care of an enormous business extended all over the world, but this firm would be a mere "piker" when compared to the wonderful credits that the banks of our great cities extend to stock brokers for purely gambling purposes.

When commercial credits are being restricted it would be well to inquire why a few firms of brokers are given more gambling credit than all the merchants of the country require for legitimate business.

When stocks are forced on the market to be sold the real stock market is disclosed, for one loan may be paid only by a new loan that forces the man seeking the loan to buy the stock again at the lower price to get one loan to pay another.

The market on the New York Stock Exchange is a pawn broker's market, its great firms of stock brokers are mere pawn brokers who are in the game to cheat their own customers.

The treasury supplying money to buy stock on margin is the deposit account supplying loanable funds, and no market could be more treacherous than one so maintained.

When business slows down, when depositors of banks fall back upon their accumulations as they need them, bank deposits begin to decline and the effect upon the stock exchange is most disastrous, and tremendous volumes of securities held on margin are thrown upon the market to allow bank depositors to draw, and use a very small part of their own money in banks.

In ordinary times when securities must be actually sold for cash, a sale of a few hundred shares will result in a heavy decline in the quoted price. If the market must furnish the money to actually pay for securities, the banks can supply no other money than from their cash reserves, which they dare not lose, and thereby expose their deposit account by leaving it unprotected.

When half the banking resources of the entire country is held by the banks of two of its principal cities, the corporations gaining the favor of the great banks, have an enormous advantage, not only in the ease with which they secure funds, but in the high price maintained for their securities in all the speculative markets, to which the banks are therefore, committed.

Go where you will over this broad land, investigate the markets for property of every description, for billions of dollars worth of wealth seeking buyers in vain, and you will discover that the markets for a very great part of the fixed wealth of the country have already been destroyed.

The profits derived from operations on the New York Stock Exchange cannot be fully appreciated unless the fact is made plain that bank connection with the Stock Exchange makes security factories out of favored banks, and they not only control vast supplies of credit, gathered from over the country, but they dictate the terms upon which new capital may be issued, and the price at which it may be sold.

Bankers, and their associates can combine many companies into one, and can manufacture enormous quantities of new securities as they cancel old ones by combining small corporations into great systems of industry, and separate railway systems into railway kingdoms.

No new capital is required from the banks for this purpose, the stock exchange system being sufficient for it allows banks and financiers to use other people's money for this manipulation without obtaining their consent.

In any exchange of securities they simply buy the old ones on margin at stock exchange prices they dictate, and which fall as they withdraw support from them, and sell the new ones on margin, at the higher level they also dictate and support until they are unloaded on the public.

The difference between the so-called cash market on the stock exchange, and a natural cash market for capital, is precisely the difference between a cash market in legitimate lines of business and the shops of pawn brokers, where goods are pledged the second time for money that cannot be secured in any other way.

The basis of the stock exchange is a pawnbroker basis, and the exchange is maintained as a pawnbroker's clearing house, where second hand goods are pledged to brokers to secure money with which to gamble on speculative prices the business itself creates.

A genuine market, in which securities are sold for cash on demand, would not require banking support, but on the contrary, would restore banking to its proper functions, and would allow banks to devote their funds to supplying the business of the country with its required volume of money. The burden of supporting the price of capital should fall upon each corporation having securities to sell and place the responsibility for values upon the corporation issuing the security, and not upon a bank it may hire for that purpose.

Bankers as a class have the most mistaken notion concerning credit. They look upon it as having come into existence for their benefit in making loans, instead of understanding that credit must supply the country with its required expansion of currency.

The banker looks wholly upon the profit side of his business in making loans, and it is immaterial to him whether his loan account inflates the currency by giving business access to credit, or whether it will contract the circulation by an increase in debts that cannot be paid.

When one-half the banking power of the United States concentrates in New York and Chicago, it does so because one-half the market for wealth from over the entire country has been concentrated there.

The control over credit exercised by banks in two principal cities enables them to dictate the selling price of all wealth by holding the limited volume of loanable funds in their own hands, and they determine, on the stock exchange what property may be valuable and what may become worthless by taking away its market.

This fact is being more and more conclusively demonstrated all over the country by the increasing difficulty found in selling any property but that quoted on the New York Exchange.

Wealth in forms that should confer commercial power on its owner by giving him credit is fast losing all its power, and price is ceasing to have any other meaning than that quoted on the New York Exchange.

Every business man who must borrow money is being forced to buy securities having a stock exchange value, because such property is rapidly becoming the only property that can be sold for money, or used as collateral.

Visit the ten thousand towns and cities of the country, and note the increasing business distress that follows the failure to convert the property of the average citizen into money, and the consequent loss of credit from this source.

If the banking institutions of New York and Chicago did actually provide a cash market for the billions of dollars in securities quoted on the exchanges of the country, they might offer such an exceptional service as an offset to the extensive gambling they introduce and encourage.

But the claim of supplying a cash market for billions of dollars worth of securities is in itself most contemptible fraud in a long catalogue of frauds which the stock exchanges impose upon a suffering public.

A capital market in which there is no standard price, one where prices fluctuate wildly at every slight demand for actual money, is a fraud on its face, and the pretense of cash payment is intended to protect banks from the gambling in securities and was never intended to supply a market for them.

Outside the special stocks, in which the public is encouraged to gamble, the banks take no interest in stock exchange prices, and the fact that a billion of dollars of the liquid capital of the country is being tied up by a few gambling specialties, practically destroys the market on the exchange itself for the greater part of the securities quoted there.

Banks cannot from the very nature of banking furnish a market for any thing, but must depend upon money furnished them from the business of the country, and they cannot sustain the prices of quoted securities without destroying their usefulness in all other directions.

When the owner of securities is actually required to sell them for money to be used in the business of the country, he is confronted by a violent drop in the quoted price, because the money he would take away is money that must be held by the bank at any cost for, its taking away, would leave the deposits without money to pay them, and the bank would be bankrupt.

Bankers are unable to liquidate their deposit accounts in cash, because banking is not expected to do so, and deposits are naturally liquidated by the circulation of bank checks, and by the distribution of labor products.

Bankers in New York and Chicago would, perhaps, dispute the proposition that they could not liquidate fifteen per cent of their deposit liabilities without causing the failure of most of the banks of the country, and as evidence of the liquid character of their assets they will point to their stock exchange collateral which they claim may be sold at its quoted price on demand.

Selling for money on demand is a very important consideration, but in this case it is an empty phrase. The cash market on the exchange, works like a charm when there is no cash demand and when sales are all margin sales.

Selling securities for cash on the New York Exchange is like requiring the blue sky over the Hudson River to bring in the supply of cash, for there is no money available from any discoverable source.

Banks may point to their twenty-five per cent cash reserve as a guaranty of liquidating the loans based on exchange collateral.

But when this collateral is offered for sale it will be found that the only treasury of money upon which it may draw is the reserve cash for all other cash is in the hands of the masses of the people in small sums.

One-half of the cash reserve of the banks in New York and Chicago is also the cash reserve of other banks, scattered all over the country, and the moment any real demand for cash makes its appearance the outside banks, feeling the same demand will call upon the reserve banks to return the cash intrusted to them for just such an emergency.

When a real market for securities is needed it cannot be found because the money that should have made a market has been driven from general circulation, and all the remainder of the spare credit is tied up by speculation.

An actual cash market for all property, except land, is the first great step in reform this country must take if it is to be saved from the fate of other civilizations.

A genuine cash market demands as its first consideration that every bank be confined to the business for which it was intended, and its cash resources be used for the benefit of its depositors and customers in legitimate business enterprises.

Corporations must be required to protect the value of their own securities, as banks are required to do with their deposits.

Every corporation must keep on hand a reserve to meet the demands upon the market by its securities, so that any of them may be converted into their value on demand at a price fixed by a standard rate of interest.

When a corporation sells its securities to the public it draws upon the bank deposits of the country, and converts them into capital of the corporation.

The question need be asked, upon what theory of finance is a corporation allowed to issue securities having an uncertain value? Why are they permitted to take bank deposits payable in cash on demand and convert them into securities that give no guaranty of returning the investors' money?

Why are corporations permitted to do with impunity, a thing that would send a banker to the penitentiary for attempting to do, allowed to rob their depositors, and security holders, in broad daylight, fully protected by law in so doing?

Is a bank deposit sacred in law only in a bank, and is it entitled to no protection when the same deposit has been taken to the treasury of a corporation. Is the obligation to pay a depositor on demand to become no obligation when the deposit gets into the treasury of a corporation?

The prevailing cause of the unequal distribution of wealth is so plan that a blind man may see it. The law is to blame that permits corporations to take bank deposits, payable in cash on demand, and convert them into securities having no obligation to be paid, and having an uncertain value.

Thousands of millions of dollars have been changed from banks and become the property of the most prominent of our financiers more immorally than if they had been taken by a thief who ran some risk of the law.

Corporation securities are permitted to find their value in the open market—upon what theory? Is the theory based upon the false opinion that supply and demand fix the selling price of capital as it does the selling price of butter and eggs?

There is no variety in the demand for capital as there is for commodities, no difference in capital of different kinds as in goods of different kinds. Capital of every description has a standard price determined by a standard rate of interest on money.

When a corporation sells its securities and exchanges them for bank deposits, it taps the only supply of credit in the country upon which the business of the country depends for nine tenths of its currency. The obligation to pay such deposits in cash on demand is more imperatively needed when they accumulate as securities of corporations by billions of dollars, than was the case when the deposits were in the custody of banks.

If corporations were required to keep the deposits they accept for investment as sacred as banks are required to keep them, ten billion of now dormant bank deposits would be in circulation making a hundred billion dollars worth of corporation securities payable in cash on demand, and the world would have escaped all the evils of unequal wealth, its poverty, vice and crime.

Chapter XVI

ECONOMIC FREEDOM

The historian of the future will record the age we live in as an age distinguished by a new birth of freedom, and a new enthusiasm for liberty.

History will describe a new crusade for economic freedom following the discovery that political freedom proved a failure, except as it was a necessary step in the upward march toward the economic liberty of the worker.

The people of the United States, more so than in other countries, are firm in the belief that social and political problems were forever solved when negro slavery was abolished, and they do not suspect that a more debasing slavery may have taken the place of black slavery.

When slavery was abolished the belief in political freedom became a creed to be worshipped. The poor were looked upon as being hopelessly lazy or inefficient, and this creed stimulated the pride of the successful as poverty increased among millions of our people.

The rapid increase in wealth in a decade demonstrated that some men, at least, were not as great as they were believed to be, and were not as efficient as they were lucky.

Great fortunes of unearned wealth springing up over night in every community made the people ask one another "where did he get it" and when the source of "getting it" was inquired into it was followed by the most astonishing discoveries.

A doubt then began to favor the unfortunate, who, it was discovered, may not have had the opportunity that political freedom was supposed to guarantee them.

A horror began to grow in the souls of men as they began to realize that the increasing vice and crime might be traced to unjust property laws by which a small class of the people were being favored with increasing fortunes of unearned wealth and other people were made to suffer on this account from poverty, vice and crime.

No one can study the history of the bloody struggle carried on against the ruling property classes to secure political freedom without realising the danger confronting the people of our own times from more deadly warfare against the same property classes in the effort to secure the rights of labor to the wealth of the world.

Looking backward to the civil war that abolished black slavery, no sensible person may now doubt the fact that it was wholly uncalled for, by the slavery issue it involved.

In the South a few great planters owned most of the slaves and owned the property depending upon slave labor, and they were a small part of the total population, and slave labor was a business failure before the war to abolish it was undertaken.

It should now be clear, to every student of our history that even the great planters and slave owners would have been greatly benefited, had the slaves been peaceably emancipated.

But as few as were owners of slaves, they were entrenched in social and political power, and they used this power most brutally and tyrannically to force an unwilling majority of the people into a civil war for what a few of the people believed to be their particular and peculiar personal rights.

Slavery is doomed to perish all over the civilized world by the development of scientific methods, by invention and discovery, and by the growth in trade.

Trade and production was fast becoming world wide, and free labor was developing in cities where business conditions made slave labor impossible. Free labor and slave labor could not compete, and the struggle for economic liberty beginning with black slavery remains to be fought out.

The war to free the slaves was a crime against humanity waged in the interest of an insignificant class of property owners and it should now be clearly understood that it was corrupt politics

North and South that made the civil war inevitable and made it a shameful conflict.

Slavery was called a peculiar Southern institution, and was sacred in the law of the land, a law that embraced all other property, and all other people, who were not slave owners.

The institution of slavery required particular defense from its owners, and as a result concentrated political power in their hands because other property did not call for particular defense.

A man who sought public office of any kind in the slave territory, or who aspired to any position of trust, or sought to be prominent in its social or business affairs, dared not raise the question of liberty for slaves, or have an opinion that could be construed to be hostile to the interests of the slave owners.

In the coming struggle for the economic freedom of the workers of the world a few great property owners will likewise seek to throttle all opinion that they believe to be hostile to their peculiar right, however unjustly the property may be held, and however wrongfully it may have been acquired.

If the class that now controls the main part of our great wealth finally secure a like proportion of political power as was secured by the slave owners they will again plunge the country in a civil war between capital and labor, a war in which the freedom of the negro cost but a stain of blood compared to the streams that will flow in the murderous hate of the coming struggle.

Today the same ostracism follows any leader who would raise the banner of economic liberty for the working man, and in legislative halls any reform is discussed, except the sacred right of the private owner to levy tribute upon labor.

Trusts have been abolished in law, but the power over labor the owner of the trust enjoys has not been interfered with, but, on the contrary, becomes more firmly entrenched as the law defines the trust territory, and the value of trust property is increased as the trust is committed to legal and judicial control.

The slave power of the South was entrenched behind the sacred constitution of the United States, and it was in support of this sacrosanct law that a civil war was required before a line of it could be changed, or a line be added to it that might abolish slavery.

Today a monstrous system of unjust and unearned wealth has its refuge behind the sacred constitution, and the defenders of iniquity hide in its entrenchments, and the champions of legal wrongs mount the walls of legislative assemblies, and are advertised as the champions of liberty and the defenders of our sacred constitution.

The modern industrial system is more firmly entrenched by law and by court decisions than was the slave power, and the men who seek political, or judicial preferment must be careful to have it understood that they stand for "The preservation of American institutions within constitutional limitations."

Had the slave owners of the South claimed for themselves all the benefits the world derived from the cotton crop, and had they ignored the work of the slave, they would have been less arrogant, and less ignorant than the modern millionaire who so claims all credit for our industrial advancement, and who is of the opinion that the masses would starve unless millionaires provided work for them.

The assertion is being everywhere made, and spreads unchallenged, that we have our men of great riches to thank for the political liberty we now enjoy, and the rights of property under our laws, not only for the development of wealth, but also for the application of law to human affairs. The claim is made that such men are only taking a small part of the vast sums their superior wisdom confers upon the human race.

Southern planters who owned three million slaves refused to entertain the idea of free labor, to discuss, or permit anyone over whom they had power, to discuss slavery, although the entire South was enormously benefited by the abolition of slavery.

Today the owners of enormous fortunes are blind to the impending conflict for economic freedom that will reduce their personal and political power to the status and power enjoyed by every man under the laws of God.

Outside the political state, and independent from it, the economic state is developing according to natural laws, and the changes which have been forced upon the body politic by the wars of the world, and by the development of civilization have been changes made necessary by the growth of the economic state, as it forces the political state to give way to it.

Few men, so far, have been able to realize this growth of the economic state, whereby natural laws of trade and of distribution rise superior to political institutions, and compels them to give way to business institutions.

Few men realize that the organization of society is a natural one, and not political. Herbert Spencer has pointed out to us "The whole of our industrial organization, from its main outlines down to its minutest detail has become what it is, not simply without legislative guidance, but in spite of legislative hindrance.

"While each citizen has been pursuing his individual welfare and none taking thought about the division of labor, or indeed "conscious of the need for it, the division of labor has yet been ever becoming more complete. It has been doing this slowly and silently scarcely anyone having observed it until quite modern times.

"By steps so small that year after year the industrial arrangements have seemed to men just what they were before, by changes so insensible as those through which a seed passes into a tree—society has become the complex body of multidependent parts we now see, and this economic organization, mark it, is the all essential organization. If these most conspicuous and vital arrangements of the social structure have arisen without the devising of any one, we may be tolerably certain that the less important arrangements have similarly arisen."

Few men understand that modern degeneration expressed by poverty, vice, crime and insanity is a result of the difficulties we impose upon labor when the opportunity to gain unearned wealth allows men to be driven to merciless tasks, and to be insufficiently nourished.

Max Nordau on this point has the following to say: "In the last fifty years, the population of Europe has not doubled, whereas the sum of its labors has increased ten fold, in part even fifty fold. Every civilized man furnishes, at the present time from five to twenty-five times as much work as was demanded of him half a century ago.

"This enormous increase of organic expenditure has not, and cannot have, a corresponding increase in supply.

"Europeans now eat a little more and a little better than they did fifty years ago, but by no means in proportion to the increase of effort which today is required of them, and even if they had choice food, in the greatest abundance, it would do nothing toward helping them for they would be unable to digest it. Our stomach could not keep pace with the brain and the nervous system, the latter demands more than the former are able to perform. And so there follows what always happens when great expenses are met by small income—first the savings are consumed and then comes bankruptcy."

What may be said, in the light of modern science of the reformers, newly awakened to a knowledge of social wrong, who go about the world inciting punishment, and new torture for the victims of our injustice who now bear all the torments unequal wealth imposes.

Will not the well meaning, but blind milk and water reformers learn that nature is now offering relief to its patient sufferers by drunkenness, vice, suicide and crime, that death is held off by laws of nature as long as life may be made endurable and that to add to poignant torture by crusades against so-called vices is but to goad the victims of social injustice to madness.

What can be more illogical and degrading than to join innocent amusements with the same amusements that become brutal, and to class all of them as crimes so as to secure laws to punish vice in particular instances.

Vice is personal, and it can only be punished by the laws of nature that visit the vicious with swift and unalterable distress when the human organism has been outraged, and law has been found to be powerless in checking the inroads of vice upon a nation.

This age is becoming more tyrannical from laws—which seek to regulate personal conduct—than any age in the history of the world, and it may soon become unbearable in this particular and the masses may go to the other extreme.

Religion is no longer designed to comfort mankind but has become an instrument to reform him, and to do so by the most insistant detectiveism that ignorance has ever invented to annoy and pester humanity.

What defense may Lord's Day Alliance reformers, social vice detectives, gambling inquisitors, betting and boxing prohibitors, and a host of other seekers after notoriety make for themselves, as they go about looking into every nook and corner of a city, seeking to enforce their own peculiar cult they call virtue, and to make criminals in law out of nine-tenths of the people so as to employ the other one-tenth to spy upon them through keyholes and listen behind doors to surprise them in illegal conduct.

Cannot these well-meaning, but misguided people, be made to understand that underlying all the sins they complain of is the crime of unearned wealth which they do not condemn. Can not they learn that there are forms of personal slavery that meet their approval in industry more degrading than many vices and crimes?

Will this class of reformers never learn that drink may be a blessed relief nature offers to escape a condition that would be more injurious to the race, that prostitution may be an open road by which a tortured womankind escapes something even more degrading.

When the body and stomach, heart and nerves are called upon to endure superhuman trials the individual will seek relief in his only time for rest, in Sunday amusements, in more or less innocent indulgences, in beer and tobacco, or humanity will go down step by step from amusements naturally innocent and harmless to those increasingly vicious and criminal.

It was Ruskin, who said, one hundred men talk for every man who thinks, and one hundred men think for every one who sees.

It is this lamentable failure in seeing the fundamental evils of our civilization that threatens to destroy society in the coming conflict for economic freedom.

The world is being deceived by a class doctrine of the successful, by a shallow, depraved and debasing theory of human sin.

Pulpit and press, judge and jury, uphold the teaching that millions are depraved because they belong to a corrupt and vicious class of mankind, are criminals because they are born brutes, unfortunate women become public prostitutes because they love and cherish iniquity.

Unearned wealth is responsible for the baseness of our ideas of life and our idea of God, and for the contemptible class who band themselves together to glorify themselves as paragons of excellence and to defame the rest of the human family as being basely inefficient and vicious.

Why has John Ruskin, with his keen artistic insight placed so great a stress upon seeing by asserting it is a thousand times more difficult than talking only one in a thousand talkers is able to see the most simple truth lying at his feet?

Ruskin may have had in mind the modern army of talkers that is busy night and day in reforming the conduct of other people, and which is as persistant and as ineffective for good as flies or mosquitoes and is equally insufferable and annoying.

Suppose, when black slavery became an issue in this county, a host of Lord's Day Alliance advocates, social purity promotors, tobacco and drink reformers, vice, gambling and boxing inquisitors had invaded the South, like a plague of grasshoppers, to help the slaves by reforming them, so they would be more content with their condition, and so their conduct would be more pleasing to this better, purer and holier class.

Imagine this army of peep-hole reformers suppressing Sunday amusements among the slaves, cards and craps, singing and dancing, smoking and drinking, spying to discover illegal cohabitation in every cabin, and sending slaves to prison, tell us what good the world would have received from their hands?

Had the South conceded slavery to have been the one vital issue, had it admitted that virtue, and morality was not possible among an enslaved people, and that exceptions to this rule could not be used as a defense of the system, then slavery and all the evils it was responsible for would have been speedily abolished.

The reformers could then have combined to first abolish the fundamental wrong from which vice, poverty and crime proceeds instead of trying to salve the wounds and hide the sickening sores of civilization.

The struggle between capital and labor in our own time presents the vital slavery issue over again, and the real issue must be brought into the white light of public discussion, or it will have a bloody issue in a civil war.

The slave owner could see nothing in liberty but his own personal comfort. Freeing the slaves was to him but the extension of slavery to include his own family without any benefit to the slave, and his family was to be required to do for themselves what before was done for them by the labor of others.

The capitalist, likewise can see nothing in the liberty the workman demands but an extension of the wage system so as to include his own family, when they will be required to earn the money by their own labor that is now earned by the labor of others.

Herbert Spencer has wisely observed that humanity has never chosen the right way until after it had exhausted all possible ways of going wrong, and so modern reform trifles with every palliative for fear the true solution may require a surgical operation.

Capital and labor is fast forcing upon this country a dispute that may end in civil war unless free discussion may avoid that dreadful result, and let us ask what may prevent this much to be desired free discussion?

When the slavery issue was raised it was the fear of the planter that he would have no labor, and slaves would desert his fields; that seemed so self evident there was no real discussion of the question most vital to the slave owner and the idea seems to have never been entertained that free labor would work for the planter to better advantage than slave labor.

In the dispute between capital and labor, capital is possessed with precisely the same fear as had the slave owner, while the laborer does not understand how liberty can mean anything to him unless it takes the employers property for his benefit.

The issue needs to be stated clearly so it may be as clearly discussed, and it is this statement of the issue that so far has never been brought before the public.

The labor leader, on his side, is unable to demonstrate to his followers how they are to secure the economic liberty the development of civilization is forcing them to fight for, and he tells them they must take over the property of the employer.

The capitalist, learning from experience that his labor is being paid all the market will admit agrees with the laborer that the issue is one that demands the surrender of his control over capital, and being certain of the inefficiency of labor in this particular, will resist the new demands as the southern planter resisted the liberty of the slaves.

The real issue if properly discussed, would be reduced to a question of profits, which the capitalist is supposed to take from the wages of labor, and around this slender sum, like the former value of slaves, a disastrous civil war may result.

If a simple discussion could reduce profits to where they belong, it would disclose the fact that, whatever profits may have to do with the problem, as profits from slave labor had to do with slavery, the issue in itself cannot concern this insignificant factor.

Profits are at the bottom of the controversy it is true, but not according to the fears of the capitalist for their property, nor according to the hope of labor to secure the property from them.

What labor demands is not property itself, but the increase in wages that property should secure for them, as wealth increases wages should advance, and if this advance is secured the mere question of who owns, or who does not own property is not a material issue in the case.

Let us suppose the issue has been fought out by a civil war, and we look back upon the issue, as we now may look back upon slavery, and we discover that profits will have increased as wages advanced, any other conclusion would be contrary to common sense.

What is the real issue, then, between capital and labor? It is that capital shall relinquish its exclusive claim to all the wealth derived from past labor, and in doing so open wide the doors of opportunity so the living generation may be able to share in the wealth derived from the past, so that the wages of the living may be increased by the money past labor contributes to the present supply.

The issue between labor and capital does not mean that every one must become a laborer, as slave owners feared becoming slaves, and it does not mean that profit is to be destroyed and that property is to be rendered valueless.

But it does mean that the entire domain of more than a hundred million dollars worth of wealth, that is now a closed shop to labor shall become an open shop and shall increase wages—the issue is not that owners must become laborers but that laborers must have the opportunity to become owners.

Profit is the key to the door through which the wealth derived from the past is distributed to the living, and this key of profit has been used by law to lock the door from the past in the face of millions of living workers, and the true reform must open the door and allow wages to be increased by the money past labor contributes to living labor for its benefit, and which was not contributed for the exclusive use and benefit of the privileged class that now controlls it.

CHAPTER XVII

THE REMEDY

More than twenty years ago, when in despair at not finding a scientific solution for the most simple fact in the social world, I suddenly made a discovery that opened a new world of inquiry.

I had, at that time vainly been trying to unravel the truth about competition, and was everywhere defeated by my failure to analyze that apparently simple thing called Value.

Whichever way I turned in seeking an explanation of the most simple fact, Value interposed a stone wall past which it was impossible to proceed, and Value seemed to say "Discover me I hold the key to the solution of every public question and of every social fact, however insignificant."

I had asked repeatedly what is the cause of my everlasting failure to find any real solution of the most simple fact in the social world, facts that surrounded me on every side, and one day the answer came back to my mind "Value is the Cause."

Value the Cause? What a revelation, Value the Social cause, then Value must be the cause of this street light, just now appearing above my head, let me think, value the cause of this electric light—not electricity, but value.

What is this electric light that its cause should just then be discovered? It is an electric light, yes, but it is more it is also a social light, a light placed at a particular place of a certain candle-power, to burn for a stated time, and for a definite purpose.

Electricity answers for the physical cause, it is true, but this physical cause stops answering my questions at the very point where the things I want to know about social light begin to assert themselves.

Will value explain the social facts connected with this street light? Why it is placed over the intersection of the street, instead of being placed at some other place? Why it burns so many hours and then is allowed to go out? Why it is of such exceptional brilliancy?

The answer is simple, direct and unmistakeable, for value explains all these social facts, and to make assurance doubly sure, if value the cause is removed the light will disappear, if the value supplying this arc light fails, and it cannot be paid for it will not be allowed to continue.

That moment was an important one to me, and could I have looked into the future, and have known the power an idea possesses to enslave a man I would not have been as elated as I remember to have been.

From that day I had a new companion, that kept closer to me than my wife and children—a companion whose name was Task, and who never allowed me a moment's relief.

Task was always at my side, night and day, at work or at play, to wake me from a deep sleep and offer a suggestion, to hurry me over some work it regarded as inferior, to engage in its more insistant demands.

Task seemed to begrudge the time required to get support for my family, and how I hated Task at times and feared him, but how I was always compelled to work.

The long inquiry imposed by Task, extending over more than twenty years is now about complete, in its main outlines. I feel I will now escape, and with the publication of this book will be released.

The solution imposed upon me by my task-master was as much a surprise to me, as it may be to the reader, and so simple as to almost appear ridiculous—a cash market—a proposition that it now appears should have been self-evident.

When I discovered Value to be the economic cause I began a search for truth that was hiding in a crystal maze, where facts reflected thousands of faces for every angle, and for every winding in the tortuous path.

I knew, only that Value was the Primary Economic Cause, and the relation between this cause, and a world full of its effects had to be worked out before the most simple social fact could be correctly explained.

This new truth, that Value was the Social Cause, made the new theory disagree on the few points the old theories had accepted as fundamental, and made the new differ in every particular from all other writings on the subject.

There was no guide in the new investigation, the new task implied working in the dark, pushing slowly toward the light as one principle was discovered at a time.

So deeply was the Remedy, and final solution buried in the maze of conflicting facts, that I did not suspect the true solution of social problems, until two years ago, as when coming closer and closer to it year by year I finally stumbled upon it.

The true remedy was difficult to discover because commodity producers are limited by natural laws to buying back but one-fourth of the commodity product, and this limit, without regard to the rate of wages creates the surplus upon which all progress depends for its accumulation of wealth.

The required quantity of money that allows all the people to share in the benefits of civilization depends upon the surplus money derived from selling three-fourths of the commodity product at twice the cost, and this selling demands a cash market for all property, except land, to hold the money in circulation, and pay it in wages.

The quantity of credit money that now fails to circulate, is the volume that should be buying capital in a cash market where it would increase wages without increasing the prices of goods, and would thus supply money for investment by supplying money that was not consumed.

The cost price by which money is being constantly consumed must become the basis of the price above cost by which money that is not consumed will represent the wealth that is not consumed but must be distributed.

By making the selling price double the cost price the bonus money added to the circulation by prices above cost can only be paid to the people who work, and paid to them in proportion to the cost of the work they do, and this protects labor in its claim upon the money earned by the labor of the past which is controlled by the owner of property.

How simple is the final solution, that all wealth shall sell for its value in money on demand, all wealth except land, and sell at a standard price that regulates the quantity of money required in a cash market.

This discovery has not only made the problem a simple one, but also made it easy to solve, in spite of centuries of injustice and oppression.

This solution will at once relieve the business world, now harrassed by debts that threaten to overwhelm it with universal ruin and bankruptcy, and as debts disappear the flood of money that has been driven from circulation will be restored and create a new world for business greater than the mind can now imagine.

Think of the torments to be abolished by a cash market, first the relief from debt, and the needs of money that debt alone is now able to supply; then the relief from organized labor with its demands for constantly higher wages, while the distress of the common laborers at low wages is forcing drastic laws upon the employer.

From this Pandora's Box, of multiplied evils threatening to destroy capital, it must soon beg for mercy and appeal for relief from debts that cannot be paid and must increase, and from wages that cannot be paid and must likewise increase. This relief demanded and the way out is something to pray for.

There is a way out for both capital and labor, a broad and open road leading to peace and plenty, to good will and mutual understanding, a way of the natural law in the circulation of money.

The intimate connection between property in land and the circulation of money has never been brought to the attention of reformers, and a change in this relation will solve all our social problems by giving us a cash market where all property except land will sell for its value in money on demand.

The interference of property in land with the circulation of money and with the distribution of wealth has made it appear that there are three fundamental reforms instead of but one.

The three world wide reform movements are, Socialist, or capital reform, Single Tax, or land reform, and Inflation, or money reform.

The socialist holds that labor is enslaved because it has lost control of the tools of production it is now required to use, that the introduction of machinery, and the factory system has been the direct cause of the helplessness of labor.

The laborer seeking to better his condition by higher wages is confronted by the capitalist who owns the machines without which the socialist claims labor is helpless, and for this reason the laborer must accept wages that will only support life, or strike and organize.

The remedy the socialist proposes is to take away the control of capital from the present owners and lodge it with the government; their reform demands that the private ownership of all the tools of production, transportation and exchange be abolished.

The land reformer basis his claim for a solution of the labor problem, upon the fundamental nature and the common need for land, denying the right of any one to own land as private property, insisting that land differs fundamentally from the things that may be rightfully owned.

The land reformer will not agree with the socialist that the private ownership of capital has anything to do with the main problem, and believes that competition will settle the capital question when the land question has been disposed of.

Money reform is based upon a remarkable generalization by Proudhon, who held if labor could always be sold for its value in money on demand, and if property could be sold for its value in money on demand, the tyranny of government, arising from property would end; natural relations would establish themselves among men, the liberty of each would be secured by respecting the liberty of others.

According to Proudhon all government by force would disappear under the influence of a market where values of property were convertible into money, that government by force would be replaced by government of consent, public opinion would replace the written law, and become the most effectual punishment for wrong.

Because this theory of Proudhon advocated the utmost personal liberty, and because he proposed to secure liberty by a system of free banking, the movement for money reform has been identified with philosophical anarchism.

Each of the three great reform movements have a foundation of truth, but each of them ignore the truth in the other, laying the claims of each open to the attacks of the others, and the world suffers while reformers abuse each other in defending their respective theories, and denouncing the theories of the opponents.

Socialism rightfully claims that capital owes its continued existence to the laborers of the country, who are wrongfully being deprived from any of the greater wealth it allows them to produce.

But the money reformer wants the socialist to explain what the ownership of capital has to do with labor receiving its share of wealth and how public ownership is to secure labor in its rights to the accumulation of capital.

The money reformer asks the socialist to explain what is now preventing labor from receiving its claim upon capital and wealth in higher wages without regard to who owns, or who does not own property.

The money reformer is right, when he says the wage question is fundamental, and unless the proposed reform will increase wages, so as to give labor all it is entitled to from this civilization, there is no basis to it.

The money reformer is right when he claims the proper circulation of a natural quantity of money will bring about all the adjustments in our social affairs the progress of the world requires, and any scheme failing to advance wages to this point is doomed to fail.

The socialist insists however we now have a quantity of money that enables a small class to take wealth from labor, and this money should be sufficient to distribute wealth to labor, and the capitalist system prevents this circulation.

The land reformer disputes both, by declaring that if a few men own all the land, they may compel the landless to move off the landlord's earth, or pay all gains above a living for the privilege of not being pushed off the earth.

The others reply that the public ownership of land will not restore the rights of labor to the privately owned railroads, factories and the great wealth in cities, that the land supporting the powerful wealth is an insignificant part of the total area, and the need for this wealth cannot be satisfied by any possible supply of land.

Land reform bases its theory upon the mistaken claim that land is a factor in production, and has an intrinsic value which is the basis for the value of commodities, but land on the contrary has no intrinsic value, nor any value but that it obtains from labor by destroying a part of the circulation of money. There are no two factors in production but only one and that one is labor, and the value of labor.

The inflationist insists that both the socialist and the land reformer deal only with problems of production, the socialist claiming that the capitalist system prevents the increase of production by the adverse ownership of its tools, and the land reformer that production is prevented by the adverse ownership of land.

The money reformer rightfully contends that there is no issue of production before society, that more goods are being constantly produced than can be sold; that when all markets are glutted with unsold goods it is fatal to argue for reforms that will increase the supply without first making a market for the goods now seeking markets in vain.

Money is what everybody needs, and money is what everyone must have at any cost if they are to share in the overflowing production of the world says the inflationist, and the want of markets is but the visible evidence of some failure in the supply and the circulation of money.

The other side hold that money has not the importance the inflationist would give it, saying we have now a volume in circulation sufficient for the present owners of wealth, a quantity that permits the unequal distribution, and should be able to distribute the same wealth equally.

Pity the poor politician, as he seeks to discover the reform the people want, the people who are thus divided into three main and hostile armies, each wanting something, the others dispute.

Into this angry contention comes a motley assortment of other dissenters, having various organizations behind them, multiplying the demands for legislation only to increase the general confusion, while each day the distress of the people becomes more acute.

True reform must unite the single truth in a single movement separating the truth from the error which is now dividing the reform armies into hostile camps, and achieve the true reform that will secure industrial freedom for the mass of mankind.

To the socialist may be promised relief from the oppression of capital by securing the claims of labor to accumulated wealth by the required increase in wages.

To the land reformer may be promised freedom from the evils of private property in hand by denying to land its power to command money from the cash circulation and by abolishing debt.

To the inflationist may be promised an inflation of credit currency that will realize the dream of Proudhon, by putting ten billion of bank deposits into general circulation and allow labor to sell at greatly increased prices for its true value in money on demand, and allow all property, except land, to sell at a standard price for its value in money on demand.

A single reform will revolutionize banking and will correct the evils of stringent money by restoring banking to its proper function, correcting the evils of capitalism, and when money and capital have been reformed it will have been accomplished by denying power to the owner of land to capitalize and sell it for money at any price.

The problem of distributing wealth is a simple one, and may be simply solved, by having the money buying and selling wealth become the money paid in wages, to have the demand and supply of money made equal by abolishing debt, by which the present inequality in wealth is carried from one generation to another.

Selling land has been at work driving money out of circulation for centuries and substituting debts to replace the stringency in money, and the problem resolves itself into the simple one of compelling the money to return that debt holds from circulation.

How may the billions of dollars in debt be liquidated now that have been accumulating for years, and are promised to be paid in years of the future?

The answer is a simple one: Every property encumbered by debt has a value based upon the dividends it earns that exceeds the money promised by the debt. If this value is insured by the required volume of money being added to the circulation for that purpose we will get a quantity of money which will not only allow property to pay debts but at the same time will allow it to be sold for its true value in money.

The cash market will equalize the distribution of wealth, will enormously expand the circulation of credit money, will advance wages to equal the selling price of capital and commodities each year, will change the price of land to higher prices of improvements, and correct the evils that now inflict society with its multitude of sins.

Banking will become simple and safe, and be of uniform help to every line of business, all discrimination in making loans and all undue pressure in paying them will end, every loan will be payable on demand, and its payment will be regulated by a rate of discount that will rise as funds become scarce.

The rate for bank loans will be uniform in every market because they will be protected by securities of uniform value and as the rate rises, when credit is loaned, the borrower has the option to continue his loan at the higher rate or get the money he needs by converting his security into money, being independent of the money the bank controls.